



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2016 - 31.12.2016
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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:	22.06.2017

Grunnlag for avgivelse

År 2016: Årsregnskapet er elektronisk innlevert
År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016

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	2016	2015
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	10	20 557	
Sum inntekter		20 557	
Kostnader			
Lønnskostnad	1, 11	342 223	253 000
Annen driftskostnad	1	1 378 483	792 930
Sum kostnader		1 720 706	1 045 930
Driftsresultat		-1 700 149	-1 045 930
Finansinntekter og finanskostnader			
Annen renteinntekt		15 185	249
Annen finansinntekt		13 474	
Sum finansinntekter		28 660	249
Annen rentekostnad		5 882	
Annen finanskostnad			39 602
Sum finanskostnader		5 882	39 602
Netto finans		22 778	-39 353
Ordinært resultat før skattekostnad		-1 677 372	-1 085 282
Skattekostnad på ordinært resultat	6		
Ordinært resultat etter skattekostnad		-1 677 372	-1 085 282
Årsresultat		-1 677 372	-1 085 282
Årsresultat etter minoritetsinteresser		-1 677 372	-1 085 282
Totalresultat		-1 677 372	-1 085 282
Overføringer og disponeringer			
Udekket tap			-1 085 282
Overføringer til/fra annen egenkapital		-1 677 372	



Resultatregnskap

Beløp i: NOK	Note	2016	2015
Sum overføringer og disponeringer		-1 677 372	-1 085 282



Balanse

Beløp i: NOK	Note	2016	2015
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	6		
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	2		
Finansielle anleggsmidler			
Investering i datterselskap	7	14 123 628	1 820 033
Sum finansielle anleggsmidler		14 123 628	1 820 033
Sum anleggsmidler		14 123 628	1 820 033
Omløpsmidler			
Varer			
Sum varer	9		
Fordringer			
Kundefordringer	8		
Andre fordringer	8	30 000	210 775
Sum fordringer		30 000	210 775
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	3	15 816 926	14 594
Sum bankinnskudd, kontanter og lignende		15 816 926	14 594
Sum omløpsmidler		15 846 926	225 369
SUM EIENDELER		29 970 554	2 045 402
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	4, 11	1 806 046	1 505 046
Overkurs		26 015 900	



Balanse

Beløp i: NOK	Note	2016	2015
Annen innskutt egenkapital		1 845 329	
Sum innskutt egenkapital		29 667 275	1 505 046
Opptjent egenkapital			
Udekket tap			265 795
Sum opptjent egenkapital			-265 795
Sum egenkapital	5	29 667 275	1 239 251
Gjeld			
Langsiktig gjeld			
Utsatt skatt	6		
Annen langsiktig gjeld			
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld		303 278	340 666
Skyldige offentlige avgifter			5 485
Annen kortsiktig gjeld	12		460 000
Sum kortsiktig gjeld		303 278	806 151
Sum gjeld		303 278	806 151
SUM EGENKAPITAL OG GJELD		29 970 554	2 045 402



Konsernets resultatregnskap

Beløp i: NOK	Note	2016	2015
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	11	182 450	235 710
Sum inntekter		182 450	235 710
Kostnader			
Varekostnad		387 709	411 565
Lønnskostnad	1	8 093 618	353 556
Avskrivning på varige driftsmidler og immaterielle eiendeler	3	50 275	51 177
Annen driftskostnad	1, 2	6 258 262	3 593 986
Sum kostnader		14 789 864	4 410 284
Driftsresultat		-14 607 414	-4 174 574
Finansinntekter og finanskostnader			
Annen renteinntekt		15 185	249
Annen finansinntekt		13 474	3 742
Sum finansinntekter		28 660	3 991
Annen rentekostnad		279 739	299 887
Annen finanskostnad		630	39 602
Sum finanskostnader		280 369	339 489
Netto finans		-251 709	-335 498
Ordinært resultat før skattekostnad		-14 859 123	-4 510 072
Skattekostnad på ordinært resultat	7	6 719	6 452
Ordinært resultat etter skattekostnad		-14 865 842	-4 516 524
Årsresultat		-14 865 842	-4 516 524
Årsresultat etter minoritetsinteresser		-14 865 842	-4 516 524
Totalresultat		-14 865 842	-4 516 524
Overføringer og disponeringer			



Konsernets resultatregnskap

Beløp i: NOK	Note	2016	2015
Udekket tap			-4 516 524
Overføringer til/fra annen egenkapital		-14 865 842	
Sum overføringer og disponeringer		-14 865 842	-4 516 524



Konsernets balanse

Beløp i: NOK	Note	2016	2015
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	7		
Varige driftsmidler			
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	3	91 642	129 724
Sum varige driftsmidler		91 642	129 724
Finansielle anleggsmidler			
Investering i datterselskap	8		
Sum anleggsmidler		91 642	129 724
Omløpsmidler			
Varer			
Sum varer	10	6 387 158	6 739 786
Fordringer			
Kundefordringer	9	3 538	35 088
Andre fordringer	9	736 322	3 115 862
Sum fordringer		739 861	3 150 950
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	4	17 140 578	23 441
Sum bankinnskudd, kontanter og lignende		17 140 578	23 441
Sum omløpsmidler		24 267 597	9 914 177
SUM EIENDELER		24 359 239	10 043 901

BALANSE - EGENKAPITAL OG GJELD

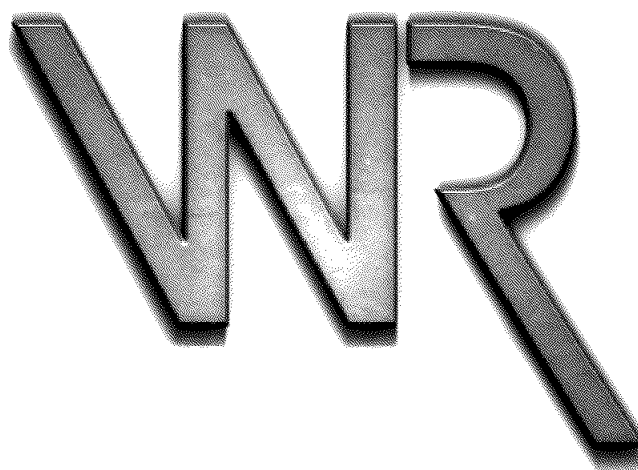
Egenkapital

Innskutt egenkapital



Konsernets balanse

Beløp i: NOK	Note	2016	2015
Selskapskapital	5, 12	1 806 046	1 505 046
Overkurs		12 383 915	
Annen innskutt egenkapital		1 845 329	
Sum innskutt egenkapital		16 035 290	1 505 046
Opptjent egenkapital			
Udekket tap			916 295
Sum opptjent egenkapital			-916 295
Sum egenkapital	6	16 035 290	588 751
Gjeld			
Langsiktig gjeld			
Utsatt skatt	7		
Annen langsiktig gjeld			
Øvrig langsiktig gjeld			6 708 873
Sum annen langsiktig gjeld			6 708 873
Sum langsiktig gjeld		0	6 708 873
Kortsiktig gjeld			
Leverandørgjeld		475 801	1 204 766
Skyldige offentlige avgifter			5 485
Annen kortsiktig gjeld	14	7 848 148	1 536 026
Sum kortsiktig gjeld		8 323 949	2 746 277
Sum gjeld		8 323 949	9 455 150
SUM EGENKAPITAL OG GJELD		24 359 239	10 043 901



**WR ENTERTAINMENT ASA
2016 ANNUAL REPORT**



ANNUAL REPORT OF THE BOARD OF DIRECTORS

WR Entertainment ASA ("WR ASA") is a book-to-film entertainment company focused on acquiring excellent literary content and producing high quality motion pictures to 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 active 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, music publishing, games, video games, toys, 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.

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, 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.

To the best of our knowledge and belief, as of the date hereof, there have been no material subsequent events after the end of the 2016 financial year, which are not disclosed herein.

2016 IN REVIEW

Financial Summary

Operating costs and expenses for 2016 totaled NOK 14.8 Million, including salaries, legal and professional fees, write-offs of discontinued projects, travel and other expenses. The Company's net loss for the year was NOK 14.9 Million, and cash flow from operations was NOK 13.0 Million. In April 2016, the company successfully raised NOK 30.1 Million in equity, resulting in positive net cash flow of NOK 17.1 Million for the year.

Board Changes

From January 2016 to December 2016, founders Gunnar Ryan Wiik and Jim Cardwell lead the WR ASA Board of Directors as Vice Chairman and Chairman respectively. 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.



Also sitting on the WR ASA Board as members were Jenny Chu from January 2016 to August 2016, Henning Øglænd from January 2016 to March 2016, Tasmin Lucia-Khan beginning in January 2016 and Frode Foss beginning in April 2016.

The Board has met frequently throughout the year holding twelve Board meetings in 2016.

Management Changes

The year started with the hiring of new CEO Tasmin Lucia-Khan in Q1 2016. Lucia-Khan's hiring was key to the Company's ambition to begin production on the first Morgan Kane movie. Upon Lucia-Khan's hiring, Wiik stepped into the role as Creative Director, while former CEO Jim Cardwell continued as Chairman of WR ASA. In December 2016, Wiik resigned as Creative Director. There were no other management changes. In 2016, Erik Christoffersen served as General Manager ("daglig leder"), Tasmin Lucia-Khan served as Chief Executive Officer (CEO) and Duane Eberlein served as Chief Financial Officer (CFO).

Q1 2016

On January 13, 2016, the Company became a public company, listing its shares on the Merkur Market, a multilateral trading facility operated by Oslo Børs in Oslo, Norway.

As of January 2016, the Company was in immediate need of added liquidity. It required an injection of cash both for working capital and for deposits to sign up professional Hollywood talent to direct and produce the first Morgan Kane movie which was slated to begin in May 2016. During the months of January, February and March 2016, the Company conducted "road shows" to source capital through several investor meetings and succeeded in raising NOK 30.1 million (USD \$3.5Million) in capital (the "Private Placement") at the end of March and early April.

Due to the longer than anticipated time to raise capital, which was completed in the middle of April, the Production start date was delayed from May 2016 to August/September 2016.

Upon the listing on the Merkur Market in January 2016, key elements from the Company's business plan covered the upcoming production of first Morgan Kane movie. Those key elements were financing of the film, timeline for the production, hiring of key cast and talent including director and other producers, and distribution of the film domestically in the US and globally.

The business plan was very ambitious and underestimated the time needed to get the first Morgan Kane movie into production. The business plan assumed financing of the first Morgan Kane film was nearly complete, with a budget then of USD \$26.7M. The financing offers did not turn out to be solid or workable. In addition, considerably more efforts and coordination than anticipated were needed in order to secure a director and other producers. Signing up key talent to the film turned out to be challenging as the Company intended to cast an unknown actor, Wiik, in the lead role, and that this had already been made public. Potential directors of the film, who were experienced industry professionals, required greater freedom to cast the movie themselves, and especially the lead role of Morgan Kane. As a result of these and other factors, the time needed to get to production was significantly underestimated. In addition, while the Admission Document for public listing had stated that Lionsgate was interested in distributing the first Morgan Kane film, the current management and Board of Directors have recently been made aware that this interest was conditional upon a number of factors, including that Wiik did not play the lead role as Morgan Kane.



The possibility of acquiring a studio, which was in the Company's business plan in 2015/2016 and described to investors and shareholders in January 2016, was dismissed prior to the Private Placement being finalized. After analysis, the Company determined that such an acquisition would be a significant risk due to an obligation to pay in excess of USD \$150,000 a month in loans, and USD \$100,000 a month in overhead and operating costs, and had limited revenue potential.

Throughout the first quarter of 2016, the Company restructured the suggested incentive program for management as outlined in the Admission Document for public listing, and the new program was approved at the Extraordinary General Meeting on April 1, 2016, as part of the Private Placement.

Q2 2016

On April 1, 2016, at the Extraordinary General Meeting, shareholders voted to approve the Private Placement and a subsequent rights issue. This was the most significant event in the financial history of the Company. A group of private investors purchased 15,050,000 shares of the Company's capital stock for NOK 30.1 million (USD \$3.5Million). This increase in working capital provided the Company with the ability to fund its operating needs and to move into production on the Morgan Kane picture. The funds arrived into the Company in mid-April.

During the months of April and May, the Company continued the task of signing on a director for Morgan Kane now that the funds to sign additional talent were in place. A significant script revision took place during the months of April, May and June to get the script ready for production.

Location scouting and research for two other potential shooting locations, other than Baja, Mexico, also took place in April and May 2016 for New Mexico and Spain.

In May 2016, several Hollywood industry creatives were hired to work on the look of the characters from the Morgan Kane script based on Masterson's El Gringo and El Gringo's Revenge, creating story boards, art work and costume breakdowns. Additionally, the Company website went through a significant overhaul to be more streamlined and focused

In May and June 2016, the CEO joined in and strengthened the team in the search for the right director for Morgan Kane. During the month of July, the Company was able to narrow down a short list of potential directors who would agree to Wiik playing the lead role if he was successful in passing a required screen test.

Q3 2016

Beginning in July 2016, time and effort was put into getting Wiik ready to perform at his screen test. The Company put in significant resources and time behind Wiik's preparation, building upon the fact that he had been preparing for this role for years. Given the unique circumstances, the Company invested to a larger extent than a normal screen test would require, over a four-month period of July, August, September and October 2016. An intense training program was established for Wiik, which included acting classes, fight training, horse training and speech therapy. His training included a two-day "boot camp" in the wilderness to put Wiik through physical exertion to prepare for the psychology behind a



complex character such as Morgan Kane. In addition, props and costumes were purchased for the screen test itself. The CEO attended many of Wiik's acting lessons as one of the producers of the film, as it was her job to oversee Wiik's progress and to help him at every stage if he needed.

In August 2016, the preferred director for Morgan Kane was elected by the Company, and during this month and the next, preparations started on the screen test. The director's contract was drafted over September and October 2016, and preparations were being made for signing and announcement of the director's engagement.

Q4 2016

On October 23, 2016, the screen test took place in Los Angeles. A crew and cast of over 30 professionals from the entertainment industry were hired; writer Skip Woods was tasked to write the script for the screen test and attached Producer Mark Huffam flew in from London. An evaluation committee, which consisted of Hollywood professionals and persons looking after the interests of the Company, was pre-agreed by the Company. The evaluation committee had several meetings after the screen test, and determined that Wiik was not right to play Morgan Kane. After failing the screen test, the Company facilitated a second screen test on November 6, 2016 for Wiik at his request. This second attempt did not alter the result of the evaluation committee. After the screen test, negotiations with the director continued.

On November 13, 2016, a group of shareholders wrote to the Board stating they did not believe that the Chairman, Jim Cardwell, was fit to serve in the best interests of all shareholders and the Company, and demanded Cardwell to resign as Chairman or for the Board to call an Extraordinary General Meeting to vote him off.

On November 16, 2016, a different group of shareholders asked the Board to look into stock irregularities regarding Wiik's shareholdings, and the Company began an initial review of a 2013 transfer of 21,862,025 treasury shares to Wiik. These transactions took place in the Company's subsidiary, WR Inc., when Wiik was a board member and a member of management. In December 2016, the Company completed its review and resolved to engage external counsel in both Norway and the United States to conduct an independent investigation according to Norwegian and US law. The investigation is still ongoing, and no conclusions have yet been made.

On December 9, 2016, a group of shareholders asked for Wiik's resignation, or demanded an Extraordinary General Meeting to vote him off the Board. On December 12, 2016, Wiik voluntarily resigned from all positions with the Company by signing a letter of resignation, waiving any and all outstanding claims against the Company arising in connection with his former Board and management positions.

On December 14, 2016, Cardwell was removed as Chairman of the board by a majority vote of the shareholders at an Extraordinary General Meeting.



2017 – IMPORTANT SUBSEQUENT EVENTS

In January 2017 WR ASA announced that Frode E. Foss would be Chairman until the next general meeting, and Ulrik H. Knap joined the Board.

In February 2017, the Company announced Hollywood writer Skip Woods, (*X-Men Wolverine*, *Swordfish* and the *Die Hard* franchise) had been tasked to re-write the Morgan Kane script targeting a fresher audience.

Final negotiations for key talent and negotiations with the preferred director continued through March 2017. The negotiations have now been put on hold due to the lawsuits described below.

In March 2017, former Vice Chairman and Creative Director Wiik filed a lawsuit against the Company's CEO, Lucia-Khan, claiming that he was defamed and defrauded, among other charges concerning other Company employees. Wiik claims an unspecified amount of damages. As the claims concern alleged actions that CEO took on behalf of the Company, the Company intends to indemnify the CEO and defend her from Wiik's claims pursuant to the terms of her employment contract, as well as pursuant to its statutory indemnity obligations under California law. The case is not yet active because the Company's legal counsel has filed a motion to quash alleged service of the lawsuit based on Wiik's failure to comply with California law in serving the complaint. The Company believes that the Wiik lawsuit is without merit.

In April 2017, former Chairman Cardwell filed a lawsuit against WR ASA and WR Inc. His claims arise from contracts allegedly entered into by him and the Company between 2009 and 2016 that he alleges the Company breached. Cardwell also claims damages for restitution. Cardwell's contract claim seeks an unspecified amount of damages. His restitution claim seeks damages of USD \$1,820,000.

For more information about these lawsuits and their effect on the Company, please see "Risk Factors and Risk Management," below.

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

CONTINUING OPERATIONS

In spite of the additional workload presented by the lawsuits, Company management and Board remains 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 the future of the Morgan Kane franchise, and to prepare for the production of the first Morgan Kane motion picture.

The Company has throughout 2016 used only half of the annual budgeted amount of the capital raised in April 2016, leaving liquidity at a solid level at year-end.



However, the capital raised in April 2016 was under the assumption Morgan Kane would enter preproduction by Q2 2016 and last throughout the year, securing the required Hollywood talent for the first Morgan Kane movie. Any additional capital could be raised on the momentum of the first movie being made, securing working capital for 2017 and servicing of shareholder debt which falls due at the end of Q2 2017.

The Company's shareholder debt has in prior years been renegotiated and continuously been moved forward into the future to facilitate and aid the production of the first Morgan Kane movie, and to have satisfactory, positive cash flow. The Board believes it is in the shareholder's best interest to continue the practice of requesting further delay in the repayment of shareholder debt until Morgan Kane is in pre-production or production. The Company would like to successfully renegotiate the shareholder debt, so that cash intended for securing talent and moving the first Morgan Kane film into production can be used accordingly, and avoid raising a need for additional capital in the next 12 months. However, the Company has contingency plans to reduce costs and expenses to ensure the Company's funds are adequate to provide working capital throughout 2017.

The Board believes that the Company has great opportunities going forward. The Morgan Kane property is an excellent one, and the Company 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 for make it possible for the Company to commence the production of its first movie – agreements which are affected by the public perception of the Company and its financial health. The timing and nature of both lawsuits from the former Chairman Cardwell, and Vice Chairman Wiik is destructive and could negatively affect the success of signing up key talent. The negative media campaign that Wiik has initiated towards the Company's executives also requires management's time and effort to protect the Company's brand, assets and shareholder value.

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, or use those intellectual properties for their personal benefit at the Company's cost.

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

RESEARCH AND DEVELOPMENT

During 2016 the Company continued development of the Morgan Kane movie, investing NOK 2.1 Million (USD \$242,000) in the project, which included screen tests, development of the script, props and other creative development work on the film.

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.

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' 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.

Outcome of Pending Lawsuits

The Company believes that Wiik's and Cardwell's lawsuits are without merit, and are vigorously defending against both suits. Based on the current stage of the proceedings in the cases, the outcome of the legal proceedings, including the anticipated legal defense costs, remains uncertain; however, the Company may incur significant legal fees, settlements or damage awards. If one or both matters are not resolved favorably, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

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 currently is affected by the ongoing lawsuits. The strategy for 2017 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 have not been any injuries or accidents in the Group during 2016. There was no sick leave paid or any absences due to sickness during 2016.



The Board of Directors consists of one man 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.

We confirm, to the best of our knowledge, that the financial statements for the period 1 January 2016 to 31 December 2016 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 and the Group 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 and the Group, together with a description of the principal risks and uncertainties facing the Company and the Group.

Frode Foss
Chairman

May 31, 2017

Tasmin Lucia Khan
Board Director

Erik Christoffersen
General Manager



Income Statement

<i>WR Entertainment ASA</i>			<i>Consolidated Company</i>	
2016	2015	Note	2016	2015
Operating income and operating expenses				
20 557	0	11	182 450	235 710
<u>20 557</u>	<u>0</u>		<u>182 450</u>	<u>235 710</u>
0	0		387 709	411 565
342 223	253 000	1	8 093 618	353 556
0	0	3	50 275	51 177
1 378 483	792 929	1, 2	6 258 262	3 593 986
<u>1 720 706</u>	<u>1 045 929</u>		<u>14 789 864</u>	<u>4 410 284</u>
-1 700 149	-1 045 929		-14 607 414	-4 174 574
Financial income and expenses				
15 185	249		15 185	249
13 474	0		13 474	3 742
5 882	0		279 739	299 887
0	39 602		630	39 602
<u>22 777</u>	<u>- 39 353</u>		<u>- 251 709</u>	<u>- 335 498</u>
-1 677 372	-1 085 282		-14 859 123	-4 510 072
0	0	7	6 719	6 452
<u>-1 677 372</u>	<u>-1 085 282</u>		<u>-14 865 842</u>	<u>-4 516 524</u>
<u>-1 677 372</u>	<u>-1 085 282</u>		<u>-14 865 842</u>	<u>-4 516 524</u>
Brought forward				
- 265 795	265 795		0	4 516 524
1 943 167	819 487	6	14 865 842	0
<u>-1 677 372</u>	<u>-1 085 282</u>		<u>-14 865 842</u>	<u>-4 516 524</u>



Statement of Financial Position

<i>WR Entertainment ASA</i>			<i>Consolidated Company</i>	
2016	2015	Note	2016	2015
Assets				
Fixed assets				
Tangible fixed assets				
0	0	3	91 642	129 724
<u>0</u>	<u>0</u>		<u>91 642</u>	<u>129 724</u>
Financial fixed assets				
14 123 628	1 820 033	8	0	0
<u>14 123 628</u>	<u>1 820 033</u>		<u>0</u>	<u>0</u>
<u>14 123 628</u>	<u>1 820 033</u>		<u>91 642</u>	<u>129 724</u>
Current assets				
0	0	10	6 387 158	6 739 786
Debtors				
0	0	9	3 538	35 088
30 000	210 775	9	736 322	3 115 862
<u>30 000</u>	<u>210 775</u>		<u>739 861</u>	<u>3 150 950</u>
15 816 926	14 594	4	17 140 578	23 441
<u>15 846 926</u>	<u>225 369</u>		<u>24 267 596</u>	<u>9 914 177</u>
<u>29 970 554</u>	<u>2 045 402</u>		<u>24 359 239</u>	<u>10 043 901</u>



Statement of Financial Position

<i>WR Entertainment ASA</i>			<i>Consolidated Company</i>	
2016	2015	Note	2016	2015
Equity and liabilities				
Paid in capital				
1 806 046	1 505 046	5, 12	1 806 046	1 505 046
26 015 900	0		12 383 915	0
1 845 329	0		1 845 329	0
29 667 275	1 505 046		16 035 290	1 505 046
Retained earnings				
0	- 265 795		0	- 916 295
0	- 265 795		0	- 916 295
29 667 275	1 239 251	6	16 035 290	588 751
Liabilities				
Provisions				
Other long term liabilities				
0	0		0	6 708 873
0	0		0	6 708 873
Current liabilities				
303 278	340 666		475 801	1 204 766
0	5 485		0	5 485
0	460 000	14	7 848 148	1 536 026
303 278	806 151		8 323 949	2 746 277
303 278	806 151		8 323 949	9 455 150
29 970 554	2 045 402		24 359 239	10 043 901

Oslo, May 31, 2017
The board of WR Entertainment ASA

Frode Foss
Chairman

Tasmin Lucia Khan
Board Director

Erik Christoffersen
General Manager



Cash Flow Statement

<i>WR Entertainment ASA</i>			<i>Consolidated Company</i>	
2016	2015		2016	2015
Statement of cash flows (NRS - Indirect model)				
Cash flows from operating activities				
-1 677 372	-1 085 282	Profit/loss before tax	-14 859 123	-4 510 072
0	0	- Tax paid for the period	- 6 719	- 6 452
0	0	+ Ordinary depreciation	50 275	51 177
0	0	+/- Change in inventory	352 628	38 440
0	0	+/- Change in accounts receivable	31 550	- 2 952
- 37 388	340 666	+/- Change in accounts payable	- 728 965	558 440
0	0	+ Share option compensation cost	1 845 329	0
0	0	+/- Effect of exchange rate fluctuations	129 465	0
- 284 710	44 710	+/- Change in other accrual items	137 371	- 663 262
<u>-1 999 470</u>	<u>- 699 906</u>	= Net cash flows from operating activities	<u>-13 048 190</u>	<u>-4 534 681</u>
Cash flows from investment activities				
0	0	- Payments for the purchase of fixed assets	17 018	0
12 298 198	0	- Payments for the purchase of share in subsidiaries	0	0
<u>-12 298 198</u>	<u>0</u>	= Net cash flows from investment activities	<u>- 17 018</u>	<u>0</u>
Cash flows from financing activities				
0	210 000	+ Proceeds from the issuance of new current liabilities	0	210 000
30 100 000	504 500	+ Proceeds from equity	30 100 000	4 319 920
<u>30 100 000</u>	<u>714 500</u>	= Net cash flows from financing activities	<u>30 100 000</u>	<u>4 529 920</u>
0	0	+/- Effect of exchange rate fluctuations on cash and cash equivalents	82 345	0
15 802 332	14 594	= Net change in cash and cash equivalents	17 117 137	- 4 761
14 594	0	+ Cash and cash equivalents at the start of the period	23 441	28 202
<u>15 816 926</u>	<u>14 594</u>	= Cash and cash equivalents at the end of the period	<u>17 140 578</u>	<u>23 441</u>



Notes to Financial Statements of 2016

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 included in the Group at December 31, 2016:

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



Notes to Financial Statements of 2016

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The consideration is recognized at fair value and the difference between the consideration and the carrying amount of the asset is recognized at 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 not recognized at the date when 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 the item investments in subsidiaries from the parent company accounts is 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 equity. In a business combination the non-controlling interests are measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The subsidiary's profit and loss is 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 leads 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 have 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 are classified as current assets. The same classification is used on liabilities. Assets and liabilities held for trading purpose and are expected to be realised 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 financial statements are presented in NOK.



Notes to Financial Statements of 2016

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 are valued at cost.

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 2016

Note 1 Salaries

WR Entertainment ASA

The General Manager invoices the Company for his services. Total compensation in 2016 is NOK 342,223 including VAT. There has been no compensation paid to the board of directors.

WR Entertainment ASA's audit fee for 2016 was NOK 386,016 including VAT.

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

Salary expenses consist of the following items:

	2016		2015	
	<i>WR ASA</i>	<i>Group</i>	<i>WR ASA</i>	<i>Group</i>
Salary	0	5 494 287	0	325 961
Employer's national insurance contribution	0	397 930	0	27 596
Hired personnel	342 223	342 223	253 000	0
Pension costs	0	0	0	0
Stock-based compensation	0	1 845 329	0	0
Other remuneration	0	0		
Other personnel expenses	0	13 849	0	0
Total	342 223	8 093 618	253 000	353 558
Number of full time equivalents	0,2	5,5	0	4

Fees to auditor

	2016		2015	
	<i>WR ASA</i>	<i>Group</i>	<i>WR ASA</i>	<i>Group</i>
Audit fee	198 609	355 413	0	242 220
Other certification services	20 305	0	140 753	140 753
Other services	167 102	76 344	0	0
Total	386 016	431 757	140 753	382 973

Figures in NOK.



Notes to Financial Statements of 2016

Note 2 Other Operating Costs

WR ASA			Group	
2016	2015		2016	2015
1 171 891	721 183	Legal and professional fees	1 901 780	317 919
0	52 189	Travel expenses	586 784	930 006
0	0	Expensing discontinued projects	2 709 583	0
206 592	19 558	Other costs	1 060 115	318 080
1 378 483	792 930	Total other operating expenses	6 258 262	1 566 005

Note 3 Tangible fixed assets

Group		
	Office and computer equipment	Group
Costs per. January 1	640 378	640 378
Additions	15 270	15 270
Disposals	- 269 053	- 269 053
Total depreciation	- 294 953	- 294 953
Account value December 31	91 642	91 642
Depreciation 2016	50 275	50 275
Depreciation rates	15% - 20%	

Note 4 Cash

WR Entertainment ASA has no restricted bank deposits.

The Group has a restricted bank account totalling with NOK 90,637 at December 31, 2016. The bank account is used as security for bank credit cards.



Notes to Financial Statements of 2016

Note 5 Shareholders

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

The 20 largest shareholders December 31, 2016

Wiik	Gunnar Ryan	24 500 425	27.13%
Martinsen	Jonny	6 518 784	7.22%
Spencer Trading Inc		4 960 000	5.49%
Kristiansen	Geir	4 795 117	5.31%
Høyen Drift AS		4 427 000	4.90%
Strategic Investor Group AS		4 300 000	4.76%
Appelsinhaugen AS		3 996 827	4.43%
Netfonds Livsforsikring AS		3 895 901	4.31%
Cardwell	James F.	2 875 000	3.18%
Eberlein	Duane	2 625 000	2.91%
Løken	Jan Henry	2 153 500	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%
Smith	Michael Joseph	1 173 575	1.30%
Aamodt	Svenn	1 043 678	1.16%
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		77 980 054	86.35%
Other shareholders		12 322 246	13.65%
Total number of shares		90 302 300	100.00%

In the Extraordinary General Meeting held April 01, 2016, 1,500,000 subscription rights were issued. 750,000 of the warrants can be subscribed during the period April 01, 2017 to April 01, 2019 at a price of NOK 3 per share. The remaining 750,000 of the subscription rights can be subscribed during the period April 01, 2018 to April 01, 2019 at a price of NOK 4 per share.

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 indirectly holds 562,318 warrants.

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

A stock option program for employees was also adopted by the Extraordinary General Meeting held April 01, 2016. This is further described in note 12.



Notes to Financial Statements of 2016

Note 6 Total Equity

<i>WR Entertainment ASA</i>	Share Capital	Share Premium reserve	Other paid-in equity	Loss brought forward	Total
Equity January 01, 2016	1 505 046	0		- 265 795	1 239 251
Share issue April 01, 2016	301 000	29 799 000			30 100 000
IPO-Cost		-1 839 933			-1 839 933
Share option compensation cost			1 845 329		1 845 329
This years loss		-1 943 167		265 795	-1 677 372
Total	1 806 046	26 015 900	1 845 329	0	29 667 275
<i>Group</i>					
Equity January 01, 2016	1 505 046			- 916 295	588 751
Share issue April 01, 2016	301 000	29 799 000			30 100 000
IPO-Cost		-1 839 933			-1 839 933
Share option compensation cost			1 845 329		1 845 329
This years loss		-15 782 187		916 295	-14 865 892
Currency translation differences		207 035			207 035
Total	1 806 046	12 383 915	1 845 329	0	16 035 290

Note 7 Taxes

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

WR Entertainment ASA

	2016	2015
Tax payable	0	0
Change in deferred tax	0	0
Total Tax	0	0

Temporary differences and deferred tax assets:

	Dec 31, 2016	Dec 31, 2015	Change
Temporary differences	0	0	0
Tax losses carried forward	-2 762 654	-1 085 282	-1 677 372
Total basis	-2 762 654	-1 085 282	-1 677 372
Deferred Tax asset 24% / 25%	663 037	271 321	391 717

All temporary differences have been assessed, and have been taken into account when calculating deferred tax. Because of uncertainty about future utilisation 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 2016

Group

	2016	2015
Tax payable	6 719	6 452
Change in deferred tax	0	0
Total Tax	6 719	6 452

Temporary differences and deferred tax assets:

	Dec 31, 2016	Dec 31, 2015	Change
Temporary differences	0	0	0
Tax losses carried forward	-43 323 654	-29 453 922	-13 869 732
Total basis	-43 323 654	-29 453 922	-13 869 732
Deferred Tax asset 24% / 25%	-13 533 313	-9 657 704	-3 875 609

All temporary differences have been assessed, and been taken into account when calculating deferred tax. Because of uncertainty about future utilisation 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 2016	Equity 2016	Net book value
WR Films Entertainment Group, Inc.	California, USA	100,00%	-13 188 470	491 642	14 123 628

Figures in NOK

Note 9 Receivables

WR Entertainment ASA 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 2016

Note 10 Inventories

Main items in inventory

	Group	
	2016	2015
Development costs – film	6 387 158	5 640 989
Production costs – e-books	0	1 098 797
	<u>6 387 158</u>	<u>6 739 786</u>

Note 11 Segments

Segments	2016			2015		
	Publishing	Film	Total	Publishing	Film	Total
Revenue	182 450	0	182 450	235 710	0	235 710

Geographical market	2016			2015		
	Norway	USA	Total	Norway	USA	Total
Revenue	20 557	182 450	203 007	0	235 710	235 710

Note 12 Share warrant program for employees

Tasmin Lucia-Khan (CEO) has a warrant to subscribe 3 million shares at price NOK 3 with the vesting date April 01, 2017. This warrant is not used.

Tasmin Lucia-Khan has a warrant to subscribe 3 million shares at price NOK 4 with vesting date April 01, 2018.

Note 13 Financial Risk Management

The Company is exposed to currency exchange, liquidity and market risks.

Currency Exchange Risk

WR Films Entertainment Group, Inc., a subsidiary of WR Entertainment ASA, is a U.S. company operating and reporting transactions in USD. WR Entertainment 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.

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.



Notes to Financial Statements of 2016

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 Related Party Transactions

WR Inc., the Company's subsidiary, has had the following transactions with major stockholders:

Loan payable to Ryan Wiik

In August 2012, Ryan Wiik, a shareholder and board member, assumed certain WR Inc.'s obligations. Ryan Wiik agreed on a loan agreement, secured by an interest on WR Inc.'s unencumbered assets, with interest of 8% per annum. The loan is due June 30, 2017. This loan principal balance totalled NOK 1,476,136 at December 31, 2016, and accrued and unpaid interest due was NOK 507,297 at December 31, 2016, for a total obligation of NOK 1,983,433 (USD \$229,830).

Loan payable to Sissel Wiik

On January 9, 2014, a member of Ryan Wiik's family, Sissel Wiik, paid off a loan payable by WR Inc. to Torvgaten 32 AS, a Norwegian company, also owned by the Wiik family. A new loan agreement was entered into with Sissel Wiik, with interest of 8% per annum, providing for a 50% security interest in WR Inc.'s rights to the first Morgan Kane motion picture. The loan is due June 30, 2017. This loan principal balance totalled NOK 1,602,746 at December 31, 2016 and accrued and unpaid interest due was NOK 375,017 at December 31, 2016, for a total obligation of NOK 1,977,763 (USD \$229,173).

Loan payable to Appelsinhaugen AS

This non-interest bearing note with a principle balance of NOK 3,452,000 (USD \$400,000) at December 31, 2016 is payable to Appelsinhaugen AS, a Norwegian company and a WR shareholder. The note is secured by a 20% security interest in the first Morgan Kane motion picture, and is due on June 30, 2017.

The combined total of these three debt obligations at December 31, 2016, including principal and interest, is NOK 7,413,196 (USD \$859,003).



Notes to Financial Statements of 2016

Note 15 Subsequent Events

In March 2017, Gunnar Ryan Wiik ("Wiik") filed a lawsuit against the WR Inc's Chief Executive Officer Tasmin Lucia-Khan ("CEO"). That case is entitled *Gunnar Ryan Wiik v. Farhana Lucia Khan*, and it has been filed in the Superior Court for the State of California, County of Los Angeles, Case No. BC654113. Wiik is a former director and officer of the Company who resigned in December 2016, and his claims arise from actions the CEO allegedly took against him. In his complaint, Wiik alleges that between October 2015 and January 2017, Ms. Lucia-Khan defamed him with regard to Company matters, trespassed on his personal property and invaded his privacy (using Company employees), and defrauded him (with regard to obtaining a position at the Company). Wiik claims an unspecified amount of damages. As the claims concern alleged actions that CEO took on behalf of the Company, the Company intends to indemnify the CEO and defend her from Wiik's claims pursuant to the terms of her employment contract, as well as pursuant to its statutory indemnity obligations under California law.

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

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 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. In his complaint, Cardwell alleges that he agreed to work for the Company in exchange for a salary, shares, and participation in a profit sharing scheme and that those sums became due to him in early 2016 when the Company had access to sufficient funding to pay them. Cardwell also claims damages for restitution. Cardwell's contract claim seeks an unspecified amount of damages. His restitution claim seeks damages of USD \$1,820,000.

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, the outcome of this legal proceeding, including the anticipated legal defense costs, remains uncertain; however, we may incur significant legal fees, settlements or damage awards. If this matter is 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 all of Wiik and Cardwell's demands are unjustified and groundless, so no provisions for lawsuits have been recorded.



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 2016. The actual remuneration in 2016 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 participated in the Company's stock option plan and has a warrant to subscribe 3 million shares at price NOK 3 with the vesting date April 1, 2017. This warrant is not used. Further, the CEO has a warrant to subscribe 3 million shares at price NOK 4 with vesting date April 1, 2018.

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 2016, but will be considered in 2017.

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 2017, is consistent with executive management remuneration policy for 2016. The executive management remuneration in 2016 was conducted in accordance with the guidelines approved at the annual general meeting held in 2016.



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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 1 677 372 in the financial statements of the parent company and loss of NOK 14 865 842 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 2016, 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 2016, 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 accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, 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 accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, 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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Medlem av Den Norske Revisorforening.

RSM Norge AS is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.



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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



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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 2017
RSM Norge AS



Arntfinn Osvik

State Authorised Public Accountant



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