G5 ENTERTAINMENT AB

GAMES

Reg.nr: 556680-8878

ANNUAL REPORT & CONSOLIDATED ACCOUNTS
JANUARY-DECEMBER 2009

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G5 Group

G5 Entertainment AB (publ) unites a group of companies: G5 Holdings Limited (Hong Kong), G5 UA Holdings Limited (Hong Kong), G5 Holding RUS LLC (Russia), and Shape Games Inc (US). G5 Holdings Limited, G5 Holding RUS LLC, and Shape Games Inc. are wholly-owned subsidiaries of G5 Entertainment AB. G5 UA Holdings Limited is a holding company of G5's cost-efficient QA and development office in Kharkov, Ukraine. G5 UA Holdings Limited is owned by G5 Holdings Limited (70%) and the founder of the local partner Pipe Studio (www.pipestudio.ru). G5 Entertainment AB (publ) is listed on Aktietorget exchange in Stockholm since November 19th 2008. Before that, G5 Entertainment AB was listed on NGM Nordic MTF since 2nd October 2006.

Board of Directors

Vlad Suglobov (CEO, Co-Founder) was born in 1977. Vlad Suglobov possesses over 15 years of industry experience. Before co-founding G5 in 2001 and serving for 9 years as CEO of the group, Vlad graduated from Lomonosov Moscow State University, and worked in a number of Russian and US companies in games and IT industry. Growing with G5, Vlad was active in many essential roles, establishing company's strategy, client relations, product development and sales. Today, Vlad is concentrating on expanding G5's business internationally.

Anders Nilsson (Chairman) was born in 1973. Entrepreneur, international business development executive and later venture capitalist, Anders has many years of experience in the field, including starting and running a cross-border IT company to an industrial exit. Today Anders' main focus is financial and legal aspects of international business development, as well as mergers and acquisitions in both private and public companies.

Ein Stadalninkas - After graduating Stockholm School of Economics in 1998 with B.Sc. of Finance, Ein has started and managed a number of international investment vehicles with cross border transactions focused on Russia & CIS. Ein has corporate finance and management experience from financial, natural resource and technology sectors. Ein is on Board of Directors of investment company SPB Investments, trade financing provider Nibur Trade Financing, and financial infrastructure development vehicle RX Holding.

Auditor

Tomas Ahlgren, Authorized Public Accountant, SET Revisionsbyrå AB.

Management

Vlad Suglobov (CEO, Co-Founder), see above.

Alik Tabunov (COO, Co-Founder), Alexander Tabunov, born in 1974, is an experienced IT manager with background in software engineering. During his 18+ years career Alexander participated in numerous IT and game projects in Russian and US companies, before co-founding G5 in 2001. Alexander is responsible for building G5's development team on multiple platforms and technologies. Alexander received his MS degree in computer science from Moscow State Institute of Electronics and Mathematics.

Sergey Shultz (CFO, Co-Founder), Sergey Shultz was born in 1976. Sergey started his career as software engineer and project manager and participated in numerous projects in Russian and US game development and IT co mpanies before co-founding G5 in 2001 and becoming group's CFO. Sergey possesses deep understanding of software development which helps him in his CFO position. He received MS degree in Physics from Moscow State Institute of Engineering and Physics.

CEO Word

Dear Shareholders!

2009 dramatically changed mobile gaming. With the introduction of App Store in 2008, Apple opened direct way for mobile game developers to reach consumers. In 2009, iPhone became major mobile and portable gaming platform, and many mobile publishers stopped or reduced the development of games for traditional mobile gaming platforms like Java and BREW. During 2009, G5 used new opportunities in the market to accomplish the transformation of the company's business model from developer to publisher – a transformation which very few developers ever accomplished. We are no longer developing games for other companies. We publish games that we developed, and we also publish games developed by other companies. G5 is now a cross-platform publisher digitally distributing games to players around the world on Apple iPhone, iPad, Sony PlayStation platform, and PC.

Faster than anticipated transition from developer to publisher affected group's results in 2009 in comparison with 2008, but already in the first quarter of 2010 the group has shown high revenue growth with strong operating result. Starting January 2010, all our development resources are 100% dedicated to producing games that G5 will publish, and we have no contract work backlog left – this means many more games will be published in 2010 compared to 2009. With the new business model, smarter cost structure, and profitability levels that group's publishing business provides, the management aims to make 2010 a record year in group's history in terms of revenue and operating result.

The potential of G5's new business model is very high. We are selling games directly to our customers through digital distribution channels like Apple App Store and Sony PlayStation Store. There is no publisher in between G5 and our customers, G5 retains all intellectual property rights in games we produce, earns revenue for every copy downloaded by the customer, and retains all profits, less applicable licensing payments and revenue share with developers. We are enjoying high margins, growing fast, we are profitable and cash positive company.

In 2010, G5's growth will be driven by:

- Bringing group's existing games to new gaming platforms
- Developing and publishing sequels to group's most successful franchises
- Developing and publishing new original games, in order to establish new franchises
- Publishing the best games from other developers

G5 has a balanced portfolio of own and 3rd party games and is perfectly positioned to continue expansion during the rest of 2010.

Vlad Suglobov
CEO, Member of the Board, Co-Founder

Directors' Report

The Board of Directors and Chief Executive Officer of G5 Entertainment AB (publ), corporate identity number 556680-8878, hereby submit the Annual Report and Consolidated Financial Statements for the operations of the parent company and group in the financial year 1 January 2009 - 31 December 2009. G5 Entertainment AB (publ) with registered office in Stockholm, Sweden, is the parent company of the G5 group. The company was incorporated in May 2005 as Startskottet P 40 AB (publ) and carried no operations until the formation of G5 group.

There are two areas of G5 group's business: Entertainment and Business Solutions.

Entertainment

G5 Entertainment is a developer and publisher of high quality downloadable casual games for iPhone, iPad, portable and home consoles, and PC.

G5 Entertainment started as the world's leading mobile game development studio, developing games based on popular licenses for Electronic Arts, Disney, THQ, Konami, and other publishers. More information about G5's contract development track record can be obtained here: http://www.g5e.com/contract_games. G5 is now developing and publishing downloadable games for iPhone, iPad, PlayStation consoles, and PC. G5's portfolio includes popular casual games like *Supermarket Mania*, *Stand O'Food*, and *Mahjongg Artifacts*. G5 also develops games based on third party licenses, and publishes games developed by third party developers – in both cases, on certain revenue share terms.

G5's games target the growing audience of over 200 million casual game players on PC, over 75 million Apple iPhone and iPod touch devices sold to date, and over 52 million Sony PSP devices sold to date. G5's audience is going to expand further as the group brings its established franchises and new products to other platforms.

G5's team has extensive experience of development for mobile, PC, and consoles. One of the group's competitive advantages is its proprietary Talisman™ cross-platform technology unavailable to other developers, which allows effective development of innovative technologically advanced games across numerous platforms and devices: iPhone, iPad, Android, Blackberry, PC, Nintendo DS, Sony PlayStation. More information about Talisman is available here:
http://www.g5e.com/company/technology.

G5 is authorized developer for a number of mobile, portable and home platforms including Apple iPhone, iPad, Nintendo DS, Nintendo Wii, Sony PlayStation 3, Sony PlayStation Portable, and Microsoft Xbox 360.

Business Solutions

G5 develops and licenses complex solutions like MIDS for wireless operators, content providers and media companies, including Russia's leading wireless operator Vimpel Communications (Beeline).

MIDS is created for interface design groups and laboratories within wireless operators, handset manufacturers and service providers. MIDS automates the work of designers, researchers, and usability testers, and provides benefits of reduced design lab costs, reduced time to market, and improved interface usability.

Development Base

G5's development offices are located in Moscow, Russia and Kharkov, Ukraine. The group also uses contract workers located in Russia, Europe, and USA, contracted through each contract worker's individual private firm. As of December 2009, the number of G5's aggregate employees and contract workers was 60.

2009 Results

Consolidated revenue for the period January-December 2009 is 9 475 KSEK (2 271 KSEK in Q1, 2 413 in Q2, 2 912 KSEK in Q3, 1 879 KSEK in Q4), down 33% compared to 14 177 KSEK for the same period of 2008.

Operating result after financial items for the period January-December 2009 is (1 508) KSEK (loss of 545 KSEK in Q1, positive result of 455 KSEK in Q2, positive result of 948 KSEK in Q3, loss of 2 366 KSEK in Q4), compared to positive operating result after financial items of 1 957 KSEK in the same period 2008.

Loss per share for the period is 0,17 SEK.

Revenue structure for the period January-December 2009: game publishing revenue: 66%, contract game development: 32%, business solutions: 2%. During 2009 the group was gradually exiting contract game development business. Starting January 2010, the group carries no contract development business at all.

G5's Stock

Share

As of 31 December 2009, G5 Entertainment's share capital was SEK 741 957 divided between 7 419 574 shares, at quoted value of 0,10 SEK per share. The average number of outstanding shares during the period is 7 419 574 shares. Each share confers equal rights to participation in G5's assets and earnings and confers the holder with one vote. There were no outstanding warrants regarding the shares.

The G5 share has been quoted on the NGM Nordic MTF exchange in Stockholm since 2nd October 2006 under symbol G5EN. The introduction rate was 3 SEK per share. Since November 19th 2008 G5's share is quoted on Aktietorget exchange in Stockholm. At year-end 2009, the share price was SEK 2.45 and total market capitalization was 18 178 KSEK.

Share Capital History

The trading of G5's shares on NGM Nordic MTF exchange in Stockholm started on 2nd October, 2006. Before that, in 2006, the company completed an issue of 1 000 000 shares and placement of 1 000 000 of owner shares at 3 SEK per share, attracting new shareholders. In July 2008, G5 completed a new issue of 375 000 shares in order to acquire 51% of Shape Games Inc. In October 2008, G5 completed preferential rights issue and placement of 1 044 574 shares in order to raise funds to finance the development of company's original own IP game products and MIDS solution. In November 2008, trading in G5's shares was moved to Aktietorget exchange in Stockholm.

Largest Stockholders as of 30 December 2009

Stockholder	No. of Shares	Holding / Votes
NORDNET PENSION	1 301 975	17,55%
SUGLOBOV, VLAD	695 999	9,38%
SHULTS, SERGEY	670 000	9,03%
TABUNOV, ALEX	660 000	8,90%
OSCARSSON, DAVID	484 500	6,53%
SVENSK, TOMMY	379 500	5,11%
AVANZA PENSION	359 675	4,85%
NORDNET LUXEMBURG	319 000	4,30%
LILJEDAL, TORBJORN	173 048	2,33%
ALTAPLAN BERMUDA	158 750	2,14%
Total	5 202 447	70,12%

Source:Euroclear Sweden AB

Activities during 2009

Games

The group's first iPhone game *Supermarket Mania*, published in February 2009, became one of the best-selling casual games on the iPhone. In the following months, G5 strengthened its success on the iPhone with the release of *Stand O'Food*, *Mahjongg Artifacts 1* and *Mahjongg Artifacts 2*, *Success Story*, and *The Mystery of the Crystal Portal* games.

The group has also released *Stand O'Food* and *Mahjongg Artifacts 2* for new PSP mini game format in Q3 2009. *Mahjongg Artifacts 2* became one of the few launch games for PSP minis.

In Q4 2009, the group released *Virtual City* game for PC.

By the end of 2009, G5's publishing portfolio consisted of over 20 games for different platforms and generated sufficient revenue to fully cover group's costs.

During Q4 2009, G5 has completed the remaining backlog of contract work orders and completely exited contract game development. Starting January 2010, all group's resources are working on the games that will be published by the group.

Business Solutions

Under contract with Vimpel Communications – one of the leading Russian mobile operators also known as "Beeline", the group provided the support for the MIDS solution previously licensed to the operator.

Corporate

During 2009, the group has gradually acquired 49% of Shape Games Inc, bringing its share in Shape Games Inc to 100%.

Management decided that the revenue share-based project with a leading mobile publisher announced on October 28th 2008 will not be continued, as investment in group's own games provides better returns, and the publisher has abandoned mobile publishing business during 2009. The group had 1 018 KSEK booked as worked up, not invoiced income on this project at December 31st 2008. This amount has been written-off in Q4. The amount of write-off is included in income statement's production costs. This one-time write off is connected with the business G5 has abandoned in 2009, and is not connected with G5's game publishing business.

Significant Events after Year End

Supermarket Management, *Jane's Hotel*, *Paranormal Agency* iPhone games were released. *Jane's Hotel* for the iPhone is published by G5 Entertainment under license from Realore Studios. *Supermarket Management* for the iPhone is developed and published by G5 Entertainment under license from Playful Age.

In February 2010, *The Mystery of the Crystal Portal* and *Jane's Hotel* iPhone games made it to the Top Grossing application charts of the App Store in UK, Germany, France, Austria, and other territories, and entered Top 100 Paid Games charts on these and multiple other territories.

Jane's Hotel, *The Mystery of the Crystal Portal*, and *Supermarket Management* games were promoted by Apple in "New and Noteworthy", "What's Hot" and other special categories in the App Store in different territories.

G5 released a special version of its popular iPhone game *Stand O'Food* for Swedish players – this special full version of the game is available for free in Swedish App Store only.

Following the iPad announcement by Apple, G5 announced the support for the iPad in the group's current and future games.

The Mystery of the Crystal Portal HD and *Mahjongg Artifacts HD* games for the iPad were released as launch games simultaneously with the release of the iPad in the beginning of April. Both games were promoted by Apple in New and Noteworthy and What's Hot categories in US App Store, and achieved Top 100 Paid Games chart positions.

G5 announced plans to release its popular PC game *Virtual City* on iPhone and iPad during May.

In preparation for upcoming game releases in 2010, G5 has strengthened its marketing and PR departments in Ukraine and California by adding full time and part time marketing and PR managers. The group also established customer support department and a dedicated team working on producing patches and updates for games in G5's publishing portfolio.

G5 launched PC games portal at pc.g5e.com, and made available a number of PC games from other developers to the audience of G5's site. Visitors can download trial versions and purchase full versions of games that they like.

The group launched its Twitter channel at www.twitter.com/G5games

G5 extended MIDS technical support contract with Vimpel Communications for 2010. The management is waiting for the exclusivity terms with VimpelCom to expire to start approaching other Russian operators who would be interested in licensing the system. The exclusivity expires in November 2010.

The management has issued the forecast that during the period January-June 2010 the group's revenue will reach 7 980 KSEK, with operating result of 2 900 KSEK and earnings per share of 0,36 SEK.

Research and development

G5 developed and owns unique Talisman™ cross-platform mobile technology and Development Tools to keep G5's games at the highest quality level and optimize development process. Talisman™ technology is being continuously improved to be adapted to rapid technological progress.

Also, G5 developed proprietary products and solutions under the brand G5 Business Solutions available for licensing to customers such as mobile operators and handset manufacturers.

During 2009, G5 developed a number of new games that were published during 2009 and Q1 2010.

In 2009, Research and development cost amounted to 1 135 KSEK (3 540 in 2008).

Environment

G5 group does not work in an area where the environment will be affected in any material matter. G5 is affecting global environment in the positive way by promoting digital distribution of games as opposed to packaged distribution on a physical media. Digital distribution of games eliminates negative environmental impact associated with the production of game's disk or cartridge, packaging and accompanying printed materials. Digital distribution eliminates negative environmental impact of logistics and transporting packaged games from the factories to the shops. Customers can download G5's games directly to their PC, iPhone, iPad, PSP, or other gaming device from anywhere – on the go, at home or in the office, if they have suitable 3G or Wi-Fi connection available.

Financial result for the period

Consolidated revenue for the period January-December 2009 is 9 475 KSEK (2 271 KSEK in Q1, 2 413 in Q2, 2 912 KSEK in Q3, 1 879 KSEK in Q4), down 33% compared to 14 177 KSEK for the same period of 2008.

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Loss per share for the period is 0,17 SEK.

Liquidity

Current assets of the group as of December 31st 2009 were 3 957 KSEK. Current liabilities: 1 335 KSEK. Working capital (CA-CL): 2 622 KSEK. Current ratio (CA divided by CL): 2,96.

Operational Risks

Dependency on Strategic Partners

G5 distributes its games through the companies that own and maintain electronic stores like Apple's App Store, Sony's PlayStation Store, Big Fish Games' PC Casual games portal, and others (distribution channels). G5's success depends on its relations with these companies. These companies partially control consumers and retain certain share of the price that each consumer pays to download a game. The share that distribution channels retain is different depending on the platform, but usually is not negotiable or very difficult to negotiate. Although overall trend during the past years was to slightly reduce this share, there is a risk that these companies in the future decide to increase this share because of changes in the market situation. To minimize the dependency on a particular distribution channel and reduce these risks, G5 works with as many distribution channels as possible, develops its own electronic game store on PC, and expands to new game platforms.

Risk of Delay in Release of Games

Delays in the release of new games can negatively affect group's revenue and operating margins. Delays can result from a delay in the development, or from additional time needed to receive certifications and approvals from game rating agencies, platform owners, and distribution channels.

Risk Related to Change of Technology

Like all game publishers, the group is dependent on technological advances.

Risk Related to Employee Termination

The group's success is closely linked to its ability to attract and retain its key employees and contractors. If, for whatever reason, they leave or become unavailable for an extended period of time, this could have an impact on the group. Losing one or more key employees or managers, or failing to attract new highly-skilled staff could have a significant negative impact on group's revenue, earnings, and growth prospects.

Termination of Licensing Partnerships

G5 publishes not only its own games, but also games developed under license from other developers and publishers. Possible termination of certain partnerships for whatever reason could have a negative impact on the company's future revenue and operating result, to the extent that this impact is not offset by other new licenses.

Forecasting Reliability

G5 Entertainment is active on relatively young and unstable market, limiting the possibility to accurately evaluate the future progress of operations. Inaccurate assessment of market progress may adversely affect group's aggregate earnings and liquidity.

Regional Risks

Activities in Ukraine and Russia are exposed to various political, regional and legal risks. It cannot be guaranteed that G5 will not be hit in negative ways, which can weaken group's ability to carry out its activities. However, G5's activities in Ukraine and Russia do not depend on extensive physical investments and can therefore be moved to other regions with certain advance planning.

Financial Risks

The board considers G5 Entertainment is exposed to currency risk i.e. the risk of the value of the financial instrument changing due to fluctuations in exchange rates. Interest and credit risks are considered marginal, because at present G5 does not have any external funding, while most of sales are generated through major companies, with consistently high credit ratings.

Tax Risk

The Company's operating activities are within Ukraine, Russian Federation (RF), United States (USA) and Asia. Laws and regulations affecting business operating in the Ukraine and RF are subject to rapid changes and the company's assets and operations could be at risk due to negative changes in the political and business environment.

While the Company believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

Currency Translation and Exposure Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, Euro, the Russian Ruble, and the Ukrainian Hryvna.

Insurance Risk

The insurance market is still undeveloped in Ukraine and Russia, and many risks that in developed countries can be insured, cannot be insured in Ukraine and Russia where group has operations. Costs for unforeseen risks can therefore arise.

Risk Related to the Need for Additional Capital

For companies doing business in fast-growing markets, it is often impossible to make precise medium or long-term financial forecasts. Given the rapid changes brough by competition or strategic changes, the group may in the future need additional working capital, and the group in the future may turn to financial markets to attract such capital. Since some shareholders would not take part in a share capital increase of this type, this could result in stock dilution.

Group Financial State

Starting January 2010, the group's revenue covers expenses and provides margins sufficient to continue organic growth. The management expects the situation to stay the same or improve during the rest of 2010. The management uses excessive cash flow to invest in expanding group's development and marketing efforts, and maintains the balance between growth and accumulating cash.

Proposed allocation of profits

The Board of Directors will suggest to the Annual General Meeting paying no dividend in 2010. The following non-restricted equity in the Parent Company is at the disposal of the Annual General Meeting:

Share premium reserve	7 411
Profit\Loss carried forward	1 909
Net result for the year	- 2 206
Total	**7 114**

The Board proposed no dividend shall be distributed to shareholders	0
To be carried forward as:	
Share premium reserve	7 411
Profit\Loss to be carried forward	-297
Total	**7 114**

Group Financial Results

Group Income Statement is presented in accordance with IFRS consolidation principles, for the period 1 January - 31 December 2009

Income Statement

GROUP INCOME STATEMENT	NOTE	2009	2008
Reporting period		**2009-01-12 2009-12-31**	**2008-01-01 2008-12-31**
Net Sales	4	9 475	14 177
Production cost	5, 6, 12	-7 147	-10 937
Gross Profit		**2 328**	**3 240**
General and administravive expenses	5, 6, 13	-2 992	-1 590
Other operating losses	16	-836	-275
Operating Result before financial items		**-1 500**	**1 375**
Financial income	17	1	611
Financial expenses	18	-9	-29
Operating Result after financial items		**-1 508**	**1 957**
Taxes		126	-172
NET RESULT FOR THE YEAR		**-1 382**	**1 785**
Attributed to:			
Parent Company's shareholders		-1 244	1 504
Minority interest		-138	281
Weighted average number of shares	10	7 419 574	6 479 894
Earnings per share (SEK) before and after dilution	10	-0.17	0.23

STATEMENT OF COMPREHENSIVE INCOME	NOTE	2009	2008
Income for the period		-1 382	1 785
Recalculation Difference		-464	976
Total other comprehensive income for the period		**-464**	**976**
Total comprehensive income for the period		**-1 846**	**2 761**
Attributed to:			
Parent Companys Shareholders		-1 716	2 346
Minority interest		-130	415

Balance Sheet

GROUP BALANCE SHEET	NOTE	2009-12-31	2008-12-31
ASSETS			
Fixed Assets			
Intangible fixed assets			
Capitalized development costs	7	5 462	2 432
IP Rights			87
Goodwill	7, 24	2 272	2 727
		7 734	**5 246**
Tangible fixed assets			
Equipment	7	1 008	1 484
		1 008	**1 484**
Total fixed assets		**8 742**	**6 730**
Current assets			
Account receivable	25	768	1 719
Worked up, non-invoiced revenues		-	1 793
Other receivables		642	703
Prepaid expenses and accrued income		585	-
Liquid funds		1 962	3 812
Total Current assets		**3 957**	**8 027**
TOTAL ASSETS		**12 699**	**14 757**
Equity			
Share capital	9	742	742
Other capital contribution		7 451	7 451
Other reserves		349	821
Profit\Loss Brought Forward		2 634	3 878
Total shareholder's equity		**11 176**	**12 892**
Minority		188	762
Total equity		**11 364**	**13 654**
Current liabilities			
Account payable		576	543
Other liabilities		475	9
Tax liabilities		8	169
Accrued expenses		276	382
Total current liabilities		**1 335**	**1 103**
TOTAL EQUITY AND LIABILITIES		**12 699**	**14 757**
Memorandum items			
Pledged assets	26	750	709
Contingent liabilities	27	None	None

Cash Flow Statement

GROUP CASH FLOW	NOTE	2009-01-01 2009-12-31	2008-01-01 2008-12-31
Operating activities			
Profit after financial items		-1 508	1 957
Adjusting items not included in cash flow	21	3 719	575
		2 211	**2 532**
Taxes paid	8	-69	-172
Cash flow before changes in working capital		**2 142**	**2 360**
Cash flow from changes in working capital			
Increase/decrease in operating receivables		931	-909
Increase/decrease in operating liabilities		276	-528
Cash flow from operating activities		**3 349**	**923**
Investing activities			
Purchase of property and equipment	7	-232	-326
Capitalized development costs	7	-4 667	-1 261
Purchase part of subsidiary	22	-189	145
Cash flow from investing activities		**-5 088**	**-1 442**
Financial activities			
New share issue		-	4 076
Issue expense		-	-986
Cash flow from financial activities		**0**	**3 090**
CASH FLOW		**-1 739**	**2 571**
Cash at the beginning of the year		**3 812**	**1 132**
Cash flow		-1 739	2 571
Exchange Rate diff		-111	109
CASH AT THE END OF THE YEAR		**1 962**	**3 812**

Changes in Equity

GROUP CHANGES IN EQUITY	Share Capital	Other Capital Contribution	Other Reserves	Proft/loss brought forward	Shareholders' equity attributable to Parent Company	Minority interest	Total Shareholder's Equity
Shareholder's Equity as of 2007-12-31	**600**	**2 255**	**-21**	**2 374**	**5 208**	**0**	**5 208**
Total comprehensive income			842	1 504	**2 346**	415	**2 761**
Share issue	142	6 182			**6 324**		**6 324**
Share issue expense		-986			**-986**		**-986**
Acquisition						347	**347**
Shareholder's Equity as of 2008-12-31	**742**	**7 451**	**821**	**3 878**	**12 892**	**762**	**13 654**
Acquisition of minority						-444	**-444**
Total comprehensive income			-472	-1 244	**-1 716**	-130	**-1 846**
Shareholder's Equity as of 2009-12-31	**742**	**7 451**	**349**	**2 634**	**11 176**	**188**	**11 364**

Business and Financial Ratios

Ratios	2009	2008
Financial Strength	89	93
Return on Equity	-12	21
Return on Total Assets	-11	13
Current Ratio	2,96	7,28

For definitions of business and financial ratios please refer Note 3.

Parent company Financial Results

Income Statement

PARENT COMPANY INCOME STATEMENT	NOTE	2009	2008
Net Sales	4	7 587	9 498
Production costs	12	-5 591	-8 056
Gross profit		**1 996**	**1 442**
General and administrative expenses	13	-1 511	-1 196
Other operating gains	15	-	608
Other operating losses	16	-383	-
Operating profit		**102**	**854**
Result from participation in Group Companies	7, 20	-2 281	-
Profit after financial items		**-2 179**	**854**
Change to tax allocation reserve		**-**	**190**
Profit before taxes		**-2 179**	**1 044**
Taxes	8	-27	-21
NET RESULT FOR THE YEAR		**-2 206**	**1 023**

Balance Sheet

PARENT COMPANY BALANCE SHEET	NOTE	31.12.2009	31.12.2008
ASSETS			
Fixed assets			
Financial assets			
Shares in Group Companies	7, 23	924	2 750
		924	**2 750**
Intangible assets			
Capitalized development costs	7	3 836	-
		3 836	**0**
Current assets			
Account receivables	25	636	810
Worked up, not invoiced income		-	1 793
Receivables from Group Companies	11	982	2 511
Other receivables		116	191
Prepaid expenses and accrued income		585	86
Cash at bank		1 505	2 217
		3 824	**7 608**
TOTAL ASSETS		**8 584**	**10 358**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	9	742	742
Non-restricted equity			
Share premium reserve		7 411	7 411
Profit\Loss carried forward		1 909	886
Net result for the year		-2206	1 023
		7 114	**9 320**
Total equity		**7 856**	**10 062**
Liabilities			
Accounts payable		91	69
Income tax liability		-	12
Other liability		366	-
Accrued expenses	19	271	215
Total Liabilities		**728**	**296**
TOTAL EQUITY AND LIABILITIES		**8 584**	**10 358**
Memorandum items			
Pledged assets	26	750	709
Contingent liabilities	27	None	None

Cash Flow Statement

PARENT COMPANY CASH FLOW	NOTE	2009	2008
Operating activities			
Profit after financial items		-2 178	854
Adjusting items not included in cash flow	21	3 787	-
Paid tax		-100	-155
Cash before changes in working capital		**1 509**	**699**
Cash flow from changes in working capital			
Increase/decrease in operating receivables		1 914	-1 687
Increase/decrease in operating liabilities		177	22
Cash flow from operating activities		**3 600**	**-966**
Investing activities			
Capitalized development costs	7	-4 123	-
Purchase of shares in subsidiaries	22	-189	-
Cash Flow from investing activities		**-4 312**	**0**
Financing activities			
New share issues		-	4 076
Issues expenses		-	-986
Cash flow from financing activities		**0**	**3 090**
CASH FLOW		**-712**	**2 124**
Cash and bank at the beginning of year		**2 217**	**93**
Cash flow		-712	2 124
CASH AND BANK AT THE END OF YEAR		**1 505**	**2 217**

Changes in Equity

PARENT COMPANY CHANGES IN EQUITY	Share Capital	Share Premium Reserve	Profit\Loss carried forward	Net Result of the year	Total Shareholder's Equity
Shareholder's Equity as of 31 December 2007	**600**	**2 213**	**146**	**740**	**3 699**
Allocation of profit			740	-740	**0**
Net result for the year				1 023	**1 023**
Share issue	142	6 182			**6 324**
Share issue expense		-984			**-984**
Shareholder's Equity as of 31 December 2008	**742**	**7 411**	**886**	**1 023**	**10 062**
Allocation of profit			1 023	-1 023	**0**
Net result for the year				-2 206	**-2 206**
Shareholder's Equity as of 31 December 2009	**742**	**7 411**	**1 909**	**-2 206**	**7 856**

G5 Entertainment AB (publ) was incorporated in May 2005 as Startskottet P 40 AB (publ), and carried no business activity before the formation of G5 group in the beginning of Q3 2006. The share capital of the company was 500.000 SEK distributed among 5.000.000 shares before the new issue of 1.000.000 shares in Q3 2006 which was performed before the listing of the company on Nordic MTF exchange in October 2006. In 2008 G5 completed two new issues of 375 000 shares and of 1 044 574 shares. Since then, there are 7 419 574 shares in the company.

Notes

NOTE 1. General Information and Accounting Principles

General Information

G5 Entertainment AB (publ) unites a group of companies: G5 Holdings Limited (Hong Kong), G5 UA Holdings Limited (Hong Kong), G5 Holding RUS LLC (Russia), and Shape Games Inc (Virginia). G5 Holdings Limited, G5 Holding RUS LLC, and Shape Games Inc. are wholly-owned subsidiaries of G5 Entertainment AB. G5 UA Holdings Limited is a head company of G5's cost-efficient QA and development office in Kharkov, Ukraine. G5 UA Holdings Limited is a JV between G5 Entertainment AB (owns 70%) and local partner Pipe Studio (www.pipestudio.ru). 30% of G5 UA Holdings Limited is owned by the physical person – the founder of Pipe Studio. G5 Entertainment AB (publ) is listed on Aktietorget exchange in Stockholm since November 19th 2008. Before that, G5 Entertainment AB was listed on NGM Nordic MTF since 2nd October 2006.

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Accounting Principles

G5 group consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), including interpretations committee (IFRIC) approved by the European Commission for application as per 31 December 2009, the Swedish Annual Accountant Act and the Swedish Financial Reporting Board, RFR 1:2 for Group has been applied.

Except for the revised standard, IAS 1 Financial Reporting and IFRS 8 Segment reporting there are no changes in accounting policies compared to last year. The revised IAS 1 has affected G5 Group only in the sense of how the exchange different should be reported. The exchanges differences is now reported in the separate report called "Statement of comprehensive income" and not directly in the specification of Equity. The revised IFRS 8 Segment reporting has only affected G5 Entertainment Group regarding a few additional disclosures; split of revenues and fixed asset between Sweden and other countries.

There are several new standards from IFRS with a date for implementation starting from 1st of January 2010. There are only two of these standards that are assessed to affect the G5 Entertainment Group. This is the revised IFRS 3 Business combination and the revised IAS 27 Group consolidation. The effect will be on, if any, purchasing of shares in subsidiaries or from minority from 1st of January 2010. In the revised IFRS 3 there are for example a requirement to record all transaction cost in the Income Statement and in the revised IAS 27 all transaction with the minority will be recorded directly in the Equity.

Accounting policy for the Parent Company, see Note 2.

Fiscal Year Info

Fiscal year 2009 is from 1st January, 2009 up to 31st December, 2009.

Conditions for Preparing the Parent Company and Consolidated Financial Statements

The parent company's functional currency is the Swedish krona, which is also the reporting currency of the parent company and group. Thus, the financial statements are published in Swedish kronor. All amounts are rounded to the nearest thousand Swedish kronor (KSEK) unless stated otherwise.

Preparing the financial statements pursuant to IFRS necessitates the corporate management making evaluations, estimates and assumptions that influence the application of the accounting principles and the stated amounts for revenues, expenses, assets and liabilities.

Classification, etc.

Essentially, fixed assets and non-current liabilities exclusively comprise amounts expected to be recovered or paid after more than 12 months from year-end. Essentially, the parent company's and group's current assets and current liabilities exclusively comprise amounts expected to be recovered or paid within 12 months of year-end.

Consolidated Financial Statements

The Consolidated Financial Statements encompass the parent company and subsidiaries. All subsidiaries are accounted pursuant to acquisition accounting. The acquisition value is calculated as the total of the fair value of assets received, arising, or liabilities taken over, and the equity instruments issued in exchange for the controlling influence over the acquired unit, and all expenses directly attributable to the business combination, as of the transaction date. When the acquisition value of the business combination exceeds the net fair value of the acquired share of identifiable assets, liabilities and accounted contingent liabilities, the difference is accounted as goodwill. When this difference is negative, it is accounted directly in the Income Statement.

Subsidiaries are consolidated from the acquisition date. Intergroup receivables and liabilities, revenues and expenses and unrealized gains and losses are eliminated in their entirety when the Consolidated Financial Statements are prepared.

Foreign currency translation

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the income statement. Exchange rate differences on trading and liabilities are included in operating profit and loss as other operating gains or other operating losses. Difference in financial receivables and liabilities are accounted in financial items.

Group companies

The result and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expenses for each income statement are translated at average exchange rates
- All resulting exchange differences are recognized as a separate component of equity

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are translated as assets and liabilities of the foreign entity and translated at the closing date.

Revenue Recognition

Revenues are license payments, advances and royalties paid by customers. Advances payments are accounted as revenue at the date when corresponding work was actually complete and approved by customer. License payments are accounted as revenue at the date when license rights are actually transferred to customer. Royalties are accounted as revenue at the date when royalty report was received from customer. Interest income is reported continuously and dividends received are reported after the right to the dividend is deemed secure. In the consolidated accounts, intra-group sales are eliminated.

Financial Revenue and Expenses

Financial revenue and expenses comprise interest income on bank balances and receivables, interest expenses on liabilities and exchange rate differences.

Intangible Assets

Goodwill

Goodwill is the positive difference between the acquisition value of a business combination and the net fair value of acquired identifiable assets, liabilities and contingent liabilities. Goodwill can be viewed as a payment for future financial benefits that cannot be separately identified, nor accounted separately.

Goodwill is valued at acquisition value less potential accumulated write-downs. Goodwill is divided to cash-generating units and is no longer amortized but subject to impairment tests at least annually, see the 'write-downs' heading below.

Other Intangible Assets

Acquired intangible assets are accounted at acquisition value less accumulated depreciation and write-downs. Development costs are only capitalized if the expenses are expected to result in identifiable future financial benefits that are under the control of the group, and it is technologically and financially possible to complete the asset. The costs that can be capitalized are costs that are invoiced externally, direct costs for labor and a reasonable portion of indirect costs. Other development costs are expensed in the Income Statement as they arise. Capitalized development costs are accounted at acquisition value, less deductions for accumulated depreciation. Supplementary expenditure for capitalized intangible assets is accounted as an asset only if it increases the future financial benefits for the specific asset to which they are attributable. The carrying amount of the asset is removed from the Balance Sheet upon disposal or investment, or when no future financial benefits are expected from the use or disposal/divestment of the asset. The gain or loss resulting when an intangible fixed asset is removed from the Balance Sheet is accounted in the Income Statement. The gain or loss is calculated as the difference between the potential net revenue from the divestment and the asset's carrying amount.

Tangible Fixed assets

Expenditure for tangible fixed assets is accounted in the Balance Sheet when it is likely that the future financial benefits associated with the asset will arise for the group and the asset's acquisition value can be reliably calculated. Tangible fixed assets are accounted at acquisition value less accumulated depreciation according to plan and potential write-downs. The acquisition value comprises the purchase price directly attributable to the asset to bring it to the place and condition for use in the manner the group intended. The carrying amount of the asset is removed from the Balance Sheet upon disposal or divestment, or when no future financial benefits are expected from the use or disposal/divestment of the asset. The gain or loss that results when a tangible fixed asset is removed from the Balance Sheet is accounted in the Income Statement. The gain or loss is calculated as the difference between the potential net revenue from the divestment and the asset's carrying amount.

Depreciation

Intangible Fixed Assets

After first-time accounting, intangible fixed assets are accounted in the Balance Sheet at acquisition value less deductions for potential accumulated depreciation and write-downs. For intangible fixed assets with finite useful lives, depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Intangible fixed assets with indeterminable useful lives are not depreciated. Instead, an impairment test is applied pursuant to IAS 36 by comparing the asset's recoverable value and its carrying amount. This test is conducted annually, or at any time there are indications of value impairment of the intangible asset. Evaluations of depreciation methods and useful lives are conducted annually.

Subject of Depreciation	Depreciation Period, (Years)
Group	
Capitalized development costs	2-3
Parent company	
Capitalized development costs	2

Tangible Fixed Assets

After first-time accounting, tangible fixed assets are accounted in the Balance Sheet at acquisition value less accumulated depreciation and potential accumulated write-downs. The depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimaited useful lives. Evaluations of depreciation methods and useful lives are conducted annually.

The following depreciation periods are applied:

Subject of Depreciation	Depreciation Period, (Years)
Office furniture	10
Computer equipment	5

Write-downs

Carrying amounts for the group's assets are verified at each year-end to determine whether there is any indication that the asset's value may have reduced. If so, the asset's recoverable value is calculated, defined as the greater of fair value less selling expenses and value in use. When calculating value in use, future payments surpluses the asset is expected to generate are discounted at a rate corresponding to risk-free interest and the risk associated with the specific asset. The recoverable value of the cash-generating unit to which the asset belongs is calculated for assets that do not generate cash flow that is essentially independent of other assets. If the recoverable value of the asset is less than the carrying amount, a write-down is effected. Write-downs are posted to the Income Statement.

Tax

The group accounts income tax pursuant to IAS 12, Income Taxes. Tax is accounted in the Income Statement apart from when the underlying transaction is accounted directly against equity. Current tax is tax to be paid or received in the current year, including potential adjustments of current tax attributable to previous periods. Deferred tax is calculated pursuant to the balance sheet method, proceeding from temporary differences between the carrying amounts and taxable values of assets and liabilities. The amounts are calculated based on how the temporary differences are expected to even out, and by applying those tax rates and rules that are resolved or announced as of year-end.

Temporary differences are not considered in consolidated goodwill, nor in differences attributable to participations in subsidiaries that are not expected to become subject to tax in the foreseeable future. For legal entities, untaxed reserves are accounted including deferred tax liabilities. However, the Consolidated Financial Statements divide untaxed reserves between deferred tax liabilities and equity.

The deferred tax receivables in deductible temporary differences and loss carry-forwards are only accounted to the extent that it is likely that they will imply lower future tax payments.

Local taxes of subsidiaries such as value added and property taxes are accounted according to local tax rules in Hong Kong and Russian Federation.

Benefits for Employee

The group accounts employee benefits according to local regularity rules of subsidiary company. These benefits are accounted with salaries paid, contract fees and accrued remuneration using various assumptions such as vacations, social security contributions and pensions as required by local regularity rules of subsidiary company.

Provisions are only accounted coincident with termination of employees if the group has demonstrably committed to conclude employment before the normal time, or when remuneration is paid to encourage voluntary redundancy. In those cases the group issues redundancy notices, a detailed plan, which as a minimum, includes information on workplaces, positions and the approximate number of people affected, and the remuneration for each employee category, or positions and the time for conducting the plan.

Financial Instruments

A financial asset or financial liability is reported in the balance sheet when the Company is party to the contractual conditions of the instrument. A financial asset is eliminated from the balance sheet when the rights contained in the contract are realized, mature or when the Company losses control over them. A financial liability is eliminated from the balance sheet when the commitment in the agreement has been completed or has in any other manner been terminated. Acquisitions and sales of financial assets are reported on the trade date, which is the date on which the company commits itself to acquire or sell the assets, apart from cases in which the company acquires or sells listed securities when liquidity date reporting is applied. At the end of each accounting period, the company assesses whether there are objective indications that a financial asset or group of financial assets requires impairment.

The group classifies its financial instruments in the following categories: Loans and receivables and financial liabilities measured at amortized costs.

Loans and receivables

Accounts receivable and other receivables are classified as "loans and receivables" and are measured at amortized cost using the effective interest method.

Accounts receivable and other receivables are reported in the amounts that are expected to be received after deductions for bad debts, which are assessed on an individual basis. The expected term of accounts receivable and other receivables in the Group is short, which is why the amount is reported at nominal value without discounting. Any impairment is reported in operating expenses.

Financial liabilities measured at amortized costs

In the group Account Payable and other short-term liabilities are classified as "financial liabilities measured at amortized costs".

The Account Payable and other liabilities are recognized initially at fair value, net of transaction costs and subsequently measured at amortized costs.

The expected term of accounts payable and other short-term liabilities in the Group is short, which is why the amount is reported at nominal value without discounting.

Earnings per Share

Earnings per share have been calculated pursuant to IAS 33. Earnings per share are calculated by earnings attributable to holders of ordinary shares of the parent company are divided by the weighted average number of ordinary shares at the end of the period.

Provisions

Provisions are accounted in the Balance Sheet when a legal or informal commitment arises as a consequence of an event that has occurred and it is likely that an outflow of financial benefits will be necessary to settle the commitment and a reliable estimate of the amount is possible. The provision is accounted at an amount corresponding to the best estimate of the disbursement necessary to settle the commitment. Provisions are liabilities that are uncertain in terms of the amount or timing of when they will be settled.

Contingent Liabilities

Contingent liabilities are potential commitments sourced from events that have occurred and whose incidence may be confirmed only by one or more uncertain future events occurring or not occurring, which do not lie entirely within the group's control. Contingent liabilities may also be existing commitments sourced from events that have occurred but that are not accounted as a liability or provision because it is unlikely that an outflow of resources will be necessary to settle the commitment, or the size of the commitment cannot be estimated with sufficient reliability.

Cash Flow Statement

The Cash Flow Statement has been prepared pursuant to the indirect method. Cash flow from operating activities is calculated proceeding from net profit/loss. The profit-loss is adjusted for transactions not involving payments made or received changes in trade-related receivables and liabilities, and for items attributable to investing or financing activities.

Liquid Funds

Liquid funds comprise cash and bank balances. At present, the group has no short-term investments.

Segment Reporting

The income statement, assets and liabilities is not divided by segment in a reasonable and reliable manner. The Chief operating decision maker (the board) is therefore analyzing the business as a total group.

Leasing

G5 group does not have any leasing.

Critical accounting estimated and judgment

Management makes estimates and assumption concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated at headline "Write-downs" and "Goodwill". For more details, please see Note 24.

NOTE 2. Parent Company Accounting Principles

The parent company prepares its Annual Report pursuant to the Swedish Annual Accounts Act (1995:1554) and Swedish Financial Reporting Board; RFR 2.2. RFR 2:2 is based on legal entities whose securities are quoted on a Swedish stock market or recognized marketplace, whose general rule is to apply the IFRS/IAS applied in the Consolidated Financial Statements. Accordingly, in its Annual Report for the legal entity, the parent company applies those IFRS and statements endorsed by the EU where this is possible within the auspices of the Swedish Annual Accounts Act and with consideration to the relationship between accounting and taxation in Sweden. RFR 2.2 states the exceptions and supplements to be made from and to IFRS. The difference between the group's and the parent company's accounting principles are stated below. The stated accounting principles of the parent company have been applied consistently for all periods published in the parent company's financial statements.

Classification and Presentation

The parent company's Income Statement and Balance Sheet are presented in the format stipulated by the Swedish Annual Accounts Act. The primary discrepancy from IAS 1 relates to the accounting of equity and the incidence of provisions as an independent title in the Balance Sheet.

NOTE 3. Definitions of business and financial ratios.

Financial strength

Equity divided by total assets.

Return on equity

Result after financial items divided by average equity.

Return on total assets

Operating profit/loss with addition to interest income divided by average total assets.

Current ratio

Current assets divided by current liabilities.

NOTE 4. Classifcation of Net Sales and fixed assets

The Group

Revenue Classification	2009	2008
Licenses	2 911	11 579
Royalties	6 564	2 598

Revenue Classification	2009	2008
Sweden	7 857	9 498
Other Countries	1 618	4 679

Fixed assets (tangible and intangible asset)	2009	2008
Sweden	3 836	-
Other Countries	4 906	6 730

Parent Company

Revenue Classification	2009	2008
Licenses	2 911	8 887
Royalties	4 676	611

NOTE 5. Staff

The staff consists of employees of the Russian companies and G5's co-workers contracted through each co-workers individual private firm in Russia, Ukraine, Czech Republic, UK and USA.

The parent company has no employees.

Average Group Employees Quantity	2009	2008
Men	7	7
Women	2	1

Average Group Co-workers Through Contract Quantity	2009	2008
Men	37	34
Women	14	6

Average Parent Company Employees Quantity	2009	2008
Men	0	0
Women	0	0

Board of Directors Quantity	2009	2008
Men	3	3
Women	0	0

Top Management Quantity	2009	2008
Men	2	2
Women	0	0

Total Staff Remuneration for the Group	2009	2008
Board of Directors	70	141
CEO	518	353
Top management	864	606
Employees salary	115	131
Social tax	28	34
Other social costs	34	48
Co-workers through contract	4 506	4 052

CEO is elected by the Board for 3 years. The period of notice for the CEO is three months. If termination of employment is on the part of the company then severance pay of 3 months' pay will be awarded. If termination of employment is on the part of CEO, there will be no severance pay. Employment conditions of CEO do not have any additional benefits such as stock options, or other remunerations.

NOTE 6. Board remuneration

Board of Directors Remuneration	2009	2008
Adam Cowburn	15	54
Anders Nilsson	35	54
Ein Stadalninkas	20	33
Total	**70**	**141**

NOTE 7. Fixed Assets

The Group

Intangible Fixed Assets

Goodwill Changes	2009	2008
Intangible fixed assets at the beginning of year	2 727	282
Investment during the year (Note 22)	-	1 889
Write-down during the year	-282	-
Currency exchange difference	-173	556
Intangible fixed assets at the end of year	2 272	2 727

Capitalized development costs and IP Rights Changes	2009	2008
Intangible fixed assets at the beginning of year	2 519	731
Investment in subsidiary (Note 22)	-	414
Investments to intangible fixed assets	4 667	1 261
Disposal	-271	-
Depreciation	-1 316	- 325
Currency exchange difference	-137	438
Intangible fixed assets at the end of year	5 462	2 519

Capitalized development cost	2009	2008
Accumulated costs	7 381	3 311
Accumulated depreciation / write-downs	-1 919	-792
Net amount	5 462	2 519

Tangible Fixed Assets

Tangible Fixed Assets Changes	2009	2008
Tangible fixed assets at the beginning of year	1 484	1 112
Investment in subsidiary (Note 22)	-	107
Disposal	-238	-
Investments to tangible fixed assets	232	326
Depreciation	-392	-250
Currency exchange difference	-78	189
Tangible fixed assets at the end of year	1 008	1 484

Tangible Fixed Assets	2009	2008
Accumulated costs	1 678	1 810
Accumulated depreciation / write-downs	-670	-326
Net amount	1 008	1 484

Parent Company

Financial Assets Changes	2009	2008
Financial assets at the beginning of year	2 750	500
Investments to financial assets	456	2 250
Depreciation / write-downs	-2 281	0
Financial assets at the end of year	924	2 750

Capitalized development costs

Intangible Fixed Assets Changes	2009	2008
Intangible fixed assets at the beginning of year	-	-
Investments to intangible fixed assets	4 124	-
Depreciation	-288	-
Intangible fixed assets at the end of year	3 836	-

NOTE 8. Taxes

The Group

Group Income Tax Expenses	2009	2008
Current tax	126	-172
Deferred tax	-	-
Total tax expenses	**126**	**-172**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicated to profit of the consolidated entities as follows:

	2009	2008
Profit / Loss before tax	-1 508	1 957
Tax according to current tax rate 26,3 (28,0) %	397	-548
Income not subject for tax purpose	-	276
Expenses not deductable	-600	-5
Refund tax in foreign subsidiaries	154	-
Adjustment for tax rates in foreign subsidiaries	175	105
Tax charge	126	-172

Parent Company

Parent Company Income Tax Expenses	2009	2008
Current tax	-27	-21
Total tax expenses	**-27**	**-21**

	2009	2008
Profit / Loss before tax	-2 179	1 044
Tax according to current tax rate 26,3 (28,0) %	573	-292
Income not subject for tax purpose	-	276
Expenses not deductable	-600	-5
Tax charge	-27	-21

NOTE 9. Share Capital and Dividends

G5 Entertainment AB has only one share class, with all shares having equal voting rights. No treasury shares were repurchased or sold.

Dividends

The Board of Directors has decided to propose to the Meeting no dividends to be paid for the financial year 2009.

NOTE 10. Earnings per share

The Group has no outstanding option scheme or similar that may have any dilution effect

Weighted average shares and shares at the End of the year:

2009	Shares at the End of the period	Weighted average shares
Jan - Dec	7 419 574	7 419 574
Total	**7 419 574**	**7 419 574**

NOTE 11. Related Parties

The parent company has close relations with its subsidiaries. Transactions between group companies are conducted at cost plus a certain margin. As of 31 December 2009, the parent company had 982 (2 511) KSEK in receivables from group companies and 0 (0) KSEK in liabilities to group companies. This amount was eliminated from consolidated receivables and liabilities. Parent company has no sale to subsidiaries. Parent company purchases from subsidiaries amount to 8 207 KSEK, of which 4 124 KSEK is put on balance as intangible assets.

Except for transaction within the Group, there are no transactions with other related parties.

NOTE 12. Production costs

Production cost of the group consists of the following items split by nature:

Group	2009	2008
Cost of goods (outsourcing)	703	3 890
Staff remuneration*	2 796	5 380
Office rent	640	997
Depreciation	1 990	575
Write-off receivables	1 018	-
Additional services	-	95
Total	**7 147**	**10 937**

*Employed and co-workers.

Parent Company	2009	2008
Depreciation	288	-
Write-off receivables	1 018	-
Subcontractor work	4 285	8 056
Total	**5 591**	**8 056**

Parent Company subcontracts most of production work to the subsidiaries.

NOTE 13. General and administrative expenses

General and administrative expenses of the group consist of the following items split by nature:

Group	2009	2008
Travel expenses	297	266
Advertising and PR	79	42
Stock exchange fee	140	206
Office expenses	772	204
Audit fees	370	301
Accounting	189	181
Consulting fees	170	159
Legal fee	136	67
Bad debt losses	200	-
Other external services	639	164
Total	**2 992**	**1 590**

Parent Company's General and administrative expenses:

Parent Company	2009	2008
Travel expenses	297	261
Advertising and PR	79	12
Stock exchange fee	140	206
Audit fees	313	259
Accounting fees	116	148
Consulting fees	89	159
Legal fees	95	7
Bad debt losses	200	0
Other external services	182	144
Total	**1 511**	**1 196**

NOTE 14. Audit Fees

Group	2009	2008
SET (Sweden)	313	259
PKF (Hong Kong)	43	42
PNK-Audit (Russia)	-	48
Limbus (Russia)	14	-
Total	**370**	**349**

Parent Company	2009	2008
SET (Sweden)	313	259
Total	**313**	**259**

Auditing assignment refer to the auditing of the annual report and accounting, including the Board's and CEO's administration, other assignments that the company's auditor are required to perform and advice or other support brought about by observations from auditing or conducting similar task. Other assignment may refer to advice concerning auditing and taxation issues.

NOTE 15. Other operating gains

Parent Company	2009	2008
Currency exchange gains	-	608
Total	**0**	**608**

NOTE 16. Other operating losses

Group	2009	2008
Curreny exchange loss	325	-
Disposal of tangible assets	511	-
Other	-	275
Total	**836**	**275**

Parent Company	2009	2008
Currency exchange loss	383	-
Total	**383**	**-**

NOTE 17. Financial income

Group	2009	2008
Interest bank	1	3
Exchange rate gains	-	608
Total	**1**	**611**

NOTE 18. Financial expenses

Group	2009	2008
Interest bank	-9	-29
Total	**-9**	**-29**

NOTE 19. Accrued expenses

Parent company	2009	2008
Year-end closing	25	25
Estimated audit fee	201	150
Other	45	40
Total	**271**	**215**

NOTE 20. Result from participation in group companies

Income	2009	2008
Write-off shares	-2 281	-
Total	**- 2 281**	**-**

NOTE 21. Adjustments for items not included in cash flow

Group

Adjustments	2009	2008
Depreciation	1 708	575
Write down of Goodwill	282	-
Gain and losses from selling and disposal of tangible and intangible	511	-
Write down of account receivable	1 218	-
Total	**3 719**	**575**

Parent company

Adjustments	2009	2008
Depreciation	288	-
Write-off receivables	1 218	-
Write-off shares in subsidiary	2 281	-
Total	**3 787**	**0**

NOTE 22. Acquisition of subsidiaries

2009

49% of shares in Shape Games Inc were acquired during 2009 by G5 Entertainment AB, bringing total ownership to 100%. The price for purchasing the 49% was 444 KSEK, whereof 232 KSEK is recorded as an liabilities at End of December. The cash flow effect is 189 KSEK.

During 2009 the two subsidiaries has been sold: G5 Software LLC and G5 Mobile LLC. The cash effect of those transaction was 0 SEK.

2008

51% share of Shape Games Inc was acquired on May 2008 by G5 Entertainment AB. If the acquisition had accured on 1 of January 2008, the acquired business would have contributed revenue of 2 063 KSEK and net profit 495 KSEK.

The assets and liabilities at the date of acquisition are as follows. The Fair value is similar to the Acquires carrying amount.

Purchase Consideration

	Shape Games Inc
Cash paid	2 250
Fair value of net assets acquired	361
Goodwill	1 889

	Shape Games Inc
Tangible assets	107
Intangible assets	414
Current Assets	86
Cash & Bank	145
Current liabilities	-43
Long term liabilities	-

Net assets	708
Minority	-347
Parent Company's Shareholder	361
Paid amount	0
Cash & Bank	145
Cash outflow from acquisition	145

NOTE 23. Shares in Subsidiaries

Shares in affiliated company	2009	2008
Accumulated value, opening balance	2 750	500
Purchase of shares	456	2 250
Write-off shares Shape Games Inc	-2 281	-
Accounted value at the periods end	924	2 750

The main part of the business in Shape Games Inc has during 2009 been transferred to parent company. The write-off of shares has been performed to reflect value in use for the remaining business in Shape Games Inc. The value is equal to the total recorded equity in Shape Games Inc.

Parent company's share holdings in group companies

Subsidiary	Corporate ID	Reg. office	No. of shares	Equity holding, %	Vote holding, %	Carrying amount, KSEK
Shape Games Inc	20-8395167	USA	100	100%	100%	412
G5 Holdings LTD	1005090	Hong Kong	1 000	100%	100%	500
G5 Holdings LTD	C 48516	Malta	1 200	100%	100%	12

Affiliated companies' share holdings in group companies

Subsidiary	Corporate ID	Reg. office	No. of shares	Equity holding, %	Vote holding, %	Carrying amount, KSEK
G5 UA Holdings LTD	1187456	Hong Kong	70	70%	70%	0,08
G5 Holding RUS LLC	5087746112658	Moscow	100	100%	100%	3

NOTE 24. Impairment test of Goodwill

Goodwill has until 2008 been allocate to the Groups´s cash-generating units (CGUs) identified according to subsidiaries. Goodwill was allocated to the following subsidiary:

Subsidiary	2008
G5 Mobile LLC	282
Shape Games Inc	1 889
Total Goodwill	**2 171**

During 2009 the goodwill allocated to G5 Mobile LCC (sold company) has been written off. The gaming business in the subsidiary Shape Games Inc has in all material aspects been transferred to the parent company G5 Entertainment AB. The goodwill has therefore been reallocated from cash generating unit identified as the subsidiary Shape Games Inc to a cash generating unit organized and analyses as part of the business in the parent company.

The recoverable amount of CGU is determined based on value-in-use calculations. This calculations use pre-tax cash flow projections based on financial budgets approved by management covering five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The growth rate does not exceed the long-term average growth rate for the business in which CGU operates.

Goodwill from Shape Games Inc

The value for goodwill that has been reallocated from the subsidiary in Shape Games Inc to a unit in the parent Company has been tested for impairment based on above assumptions.

The key assumptions used for value-in-use calculations are as follow:

	CGU
Grows rate	15%
Discount rate	9%

No impairment write-down arose as Recoverable value (Value in use) exceeds the Carrying amount.

Even with a decline in the growth rate with 2% or an increase in the discount rate with 2% there are no need of a write down.

G5 Mobile LLC

In 2009, the G5 group did a write-down of goodwill allocated to G5 Mobile LLC, as the group abandoned the business of developing mobile games under contract from other companies. The structure of the group was simplified, and G5 Mobile LLC subsidiary was removed from the group and closed. G5 Mobile LLC subsidiary was added to the group in 2006 during the formation of the group, as the head entity of Russian studio developing mobile games for foreign publishers.

NOTE 25. Write-down of Account Receivables

In 2009, the G5 group did a write-down of KSEK 200 for account receivables. Most of the write-down is connected to a contract for development of mobile game for a mobile game publisher. In 2009, this publisher has closed down its mobile game publishing unit, and canceled all projects in development. The group has not received the invoiced amounts from the publisher during a 12 months period after the invoice date, and therefore a write-down was performed.

NOTE 26. Pledged assets

Floating charge 700 (700) KSEK, pledged for cheque account with overdraft facility.

Bank account 50 (9) KSEK, pledged for bank guarantee

G5 Group has the possibility to use factoring service for improvement of its cash position, up to maximum 1 443 KSEK. At balance date no part of account receivables are pledged at bank for credit limit.

NOTE 27. Contingent Liabilities

G5 Group does not have any contingent liabilities in 2009.

NOTE 28. Financial Risks

The board considers G5 Entertainment is exposed to currency risk i.e. the risk of the value of the financial instrument changing due to fluctuations in exchange rates. Interest and credit risks are considered marginal, because at present G5 does not have any external funding, while almost all sales are generated through major telecom and media companies, with consistently high credit ratings.

Currency Translation and Exposure Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the Russian Ruble.

At 31 December 2009, if the USD/RUR had weakened/strengthened by 5% against the SEK with all other variable held constant, the net result for the year would have been 49 KSEK higher/lower.

Financial instruments split into categories (Group)

Financial Assets	2009	2008
Account receivables	768	1 719
Other receivables	1 227	703
Cash at bank	1 962	3 812
Loans and Receivables	3 957	8 027

Financial Liabilities	2009	2008
Account payable	576	543
Other liabilities	472	9
Accrued expenses	276	382
Financial liabilities measured at amortized costs	1324	934

Capital risk management

The group´s objectives when managing capital are to safeguard the Groups abilities to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

To the best of their knowledge, the Board of Directors and Chief Executive Officer offer their assurances:

- that the Annual Report has been prepared in accordance with generally accepted accounting principles for listed companies;
- that the information submitted is consistent with actual circumstances;
- that no material omissions have been made that could affect the impression of G5 group created by the Annual Report

Anders Nilsson /s
Chairman

Vlad Suglobov /s
CEO

Ein Stadalninkas /s

Stockholm, Sweden, 2010-05-17

Our audit report was issued on 2010-05-17

SET Revisionsbyrå AB

Tomas Ahlgren /s
Authorized public accountant

AUDIT REPORT

To the annual general meeting of the shareholders of
G5 Entertainment AB (publ)
Corporate identity number: 556680-8878

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the Chief Executive Officer of G5 Entertainment AB (publ) for the financial year 2009. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 5-32. The board of directors and the Chief Executive Officer are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the Chief Executive Officer and significant estimates made by the board of directors and the Chief Executive Officer when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the Chief Executive Officer. We also examined whether any board member or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the Chief Executive Officer be discharged from liability for the financial year.

Malmö 2010-05-17

SET Revisionsbyrå AB

Tomas Ahlgren /s
Authorized Public Accountant

Glossary

AGM	Annual General Meeting
BREW	Binary Real-time Environment for Wireless platform developed by Qualcomm
CDMA	Code Division Multiple Access
J2ME	Java 2 Platform, Micro Edition
KSEK	Thousands of Swedish krona
KUSD	Thousands of US dollars
LLC	Limited liability Company under Russian law
LTD	Limited liability Company under Hong Kong law
INC	Incorporated company under US law
MIDS	Mobile Interface Design System (G5's solution for interface design, prototyping, and usability testing)
MMS	Multimedia Messaging Service
PC	Personal Computer platform
R&D	Research and Development

Contact Information

G5 Entertainment AB (publ)

With the questions regarding this report please contact Sergey Shults, Investor Relations by email at investors@g5e.se, or by phone at +7 495 978 54 79 or +7 916 652 36 73.

G5 Entertainment will be publishing its Q2 2010 report on August 13th 2009, Q3 2010 report on November 15th 2010, Q4 2009 report on February 25th 2011.

G5 Entertainment AB (publ) unites a group of companies: G5 Holdings Limited (Hong Kong), G5 UA Holdings Limited (Hong Kong), G5 Holding RUS LLC (Russia), and Shape Games Inc (Virginia).

G5 Entertainment is a developer and publisher of high quality downloadable games for digital networks: mobile, PC, home and portable consoles.
G5 Entertainment started as the world's leading mobile game development studio, developing games based on popular licenses for Electronic Arts, Disney, THQ, Konami, and other publishers. G5 is now developing and publishing downloadable games for mobile, PC, home and portable consoles. G5's portfolio includes popular iPhone, iPad and PC games like *Supermarket Mania*, *Stand O'Food*, and *Mahjongg Artifacts*.
G5's games target the growing audience of over 200 million casual game players on PC, over 75 million Apple iPhone and iPod touch devices sold to date, and over 52 million Sony PSP devices sold to date. G5's audience is going to expand further as the group brings its established franchises and new products to other platforms.

G5 also develops and licenses complex solutions for wireless operators, content providers and media companies, including Russia's leading wireless operator VimpelCom (Beeline). G5's products include MIDS (Mobile Interface Design System) solution, which allows operators, handset manufacturers and service providers to automate and improve interface design processes.

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