G5 ENTERTAINMENT AB

GAMES

Reg.nr: 556680-8878

ANNUAL REPORT & CONSOLIDATED ACCOUNTS
JANUARY-DECEMBER 2010

Contents

G5 GROUP **3**
BOARD OF DIRECTORS 3
AUDITOR 3
MANAGEMENT 3
CEO WORD **4**
DIRECTORS' REPORT **5**
DEVELOPMENT BASE 5
2010 RESULTS 5
G5'S STOCK 5
ACTIVITIES DURING 2010 6
SIGNIFICANT EVENTS AFTER YEAR END 7
RESEARCH AND DEVELOPMENT 7
ENVIRONMENT 7
FINANCIAL RESULT FOR THE PERIOD 7
LIQUIDITY 7
OPERATIONAL RISKS 7
FINANCIAL RISKS 8
GROUP FINANCIAL STATE 9
PROPOSED ALLOCATION OF PROFITS 9
GROUP FINANCIAL RESULTS **10**
INCOME STATEMENT 10
BALANCE SHEET 11
CASH FLOW STATEMENT 12
CHANGES IN EQUITY 13
BUSINESS AND FINANCIAL RATIOS 13
PARENT COMPANY FINANCIAL RESULTS **14**
INCOME STATEMENT 14
BALANCE SHEET 15
CASH FLOW STATEMENT 16
CHANGES IN EQUITY 17
NOTES **18**
NOTE 1. GENERAL INFORMATION AND ACCOUNTING PRINCIPLES 18
NOTE 2. PARENT COMPANY ACCOUNTING PRINCIPLES 24
NOTE 3. DEFINITIONS OF BUSINESS AND FINANCIAL RATIOS. 24
NOTE 4. CLASSIFICATION OF NET SALES AND FIXED ASSETS 24
NOTE 5. STAFF 24
NOTE 6. BOARD REMUNERATION 25
NOTE 7. FIXED ASSETS 25
NOTE 8. TAXES 26
NOTE 9. SHARE CAPITAL AND DIVIDENDS 27
NOTE 10. EARNINGS PER SHARE 27
NOTE 11. RELATED PARTIES 27
NOTE 12. PRODUCTION COSTS 27
NOTE 13. GENERAL AND ADMINISTRATIVE EXPENSES 27
NOTE 14. AUDIT FEES 28
NOTE 15. OTHER OPERATING GAINS 28
NOTE 16. OTHER OPERATING LOSSES 28
NOTE 17. FINANCIAL INCOME 28
NOTE 18. FINANCIAL EXPENSES 28
NOTE 19. ACCRUED EXPENSES 28
NOTE 20. RESULT FROM PARTICIPATION IN GROUP COMPANIES 28
NOTE 21. ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW 28
NOTE 22. ACQUISITION OF SUBSIDIARIES 29
NOTE 23. SHARES IN SUBSIDIARIES 29
NOTE 24. IMPAIRMENT TEST OF GOODWILL 30
NOTE 25. WRITE-DOWN OF ACCOUNT RECEIVABLES 30
NOTE 26. PLEDGED ASSETS 30
NOTE 27. CONTINGENT LIABILITIES 30
NOTE 28. FINANCIAL RISKS 30
AUDIT REPORT **33**
GLOSSARY **34**
CONTACT INFORMATION **34**

G5 Group

At balance date G5 Entertainment AB (publ) unites a group of the active companies G5 Holdings Limited (Malta), G5 UA Holdings Limited (Malta), G5 Holding RUS LLC (Russia) and the inactive companies G5 Holdings Limited (Hong Kong), G5 UA Holdings Limited (Hong Kong) and G5 Entertainment Inc (USA). 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 16 years of game industry experience. Before co-founding G5 in 2001 and serving for 10 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.

Ein Stadalninkas (Chairman) - 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 developer Russian Chinese Financial Center.

Johan Wrang After graduating from Stockholm University with the degree in Business and then the Royal Institute of Technology with the degree in Industrial Management, Johan joined a Stockholm based management consulting firm. During the two and a half years as a strategy consultant Johan served as an advisor to top management and board of directors for companies in different sectors. Johan has been the CEO and Member of the Board of an online gambling company and is currently Chairman of the Board at Guld Invest, and an IT- and Management consultant at Connecta.

Auditor

Tomas Ahlgren, Authorized Public Accountant, Mazars SET Revisionsbyrå.

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 companies 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!

People around the world are increasingly mobile and they use portable devices to access Internet and Web more and more often. We are switching from personal computers to smart phones and tablets to perform tasks that were once performed only on PCs. This is also true about gaming. According to numerous analysts, the mobile app revenues will exceed $30 billion by 2015, while over 80% of consumers use their smartphones and tablets to play games. With touch control, modern smartphones and tablets are a perfect platform for the kind of games that G5 develops and publishes, and we see a strong demand for our games.

The 140% revenue growth we achieved in 2010 is organic. The 8.8 MSEK operating profit we made in 2010 shall be compared to the 1.5 MSEK operating loss we had to take in 2009 while changing the business model from developer to publisher. Our business is generating returns that allow us to be profitable and cash flow positive while actively investing for future growth. G5 is already one of the leading providers of casual games on the App Store, and we are growing our audience, strengthening our brand, and expanding to new platforms.

Our global partner network is growing and we are scaling our business. We are strengthening our world-class development teams in Ukraine and Russia, which produced such hits as *Virtual City* and *Supermarket Mania 2*, and adapted numerous best-selling casual games for iOS platform. With our proprietary Talisman cross-platform technology we can deploy our games on numerous platforms quickly and cost-effectively.

In 2011, our growth will be focused and driven by:

- More products released on the platforms where we are already established
- Our growing game portfolio deployed to new platforms
- The growing overall market for games and apps on smartphones and tablets
- Building a loyal community of repeat customers around G5 brand

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 the Consolidated Accounts for the operations of the parent company and group in the financial year 1 January 2010 - 31 December 2010. 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.

Since 2009, G5 Entertainment is a developer and publisher of high quality downloadable casual games for iPhone, iPad, portable and home consoles, Mac and PC. G5's portfolio includes popular casual games like *Supermarket Mania*, *Virtual City, 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.

Before 2009, G5 Entertainment was known as one of the world's leading mobile game development studios, developing games based on popular licenses for Electronic Arts, Disney, THQ, Konami, and other publishers.

G5's games target the growing audience of casual game players on smartphones and tablets. These devices include more than 187 million iOS devices like iPhone, iPad touch, and iPad sold to date, as reported by Apple. Also included are Android-powered devices, which are now activated at a pace of 350 000 devices in a single day, as reported by Google. G5 has announced its plans to release its first few games for Android platform during 2011. G5's audience is going to expand further as the group brings its established franchises and new products to other platforms.

G5's development team has extensive experience of development for mobile platforms, Mac, PC, and game 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. 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 iOS, Android, Nintendo DS, Nintendo Wii, Sony PlayStation 3, Sony PlayStation Portable, and Microsoft Xbox 360.

Development Base

G5's development offices are located in Moscow, Russia and Kharkov, Ukraine. The group uses contract workers located in Russia, Europe, and USA, contracted through each contract worker's individual private firm. As of December 2010, the number of G5's aggregate employees and contract workers was 71.

2010 Results

Consolidated revenue for the period January-December 2010 is 22 822 KSEK (3 776 KSEK in Q1, 4 430 in Q2, 6 501 KSEK in Q3, 8 115 KSEK in Q4), up 141% compared to 9 475 KSEK for the same period of 2009.

Operating result after financial items for the period January-December 2010 is 8 758 KSEK (1 296 KSEK in Q1, 1 681 KSEK in Q2, 2 864 KSEK in Q3, 2 917 KSEK in Q4), compared to operating loss of 1 508 KSEK for 2009.

Earnings per share for the period is 1.00 SEK.

G5's Stock

Share

As of 31 December 2010, 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 2010, the share price was SEK 11.50 and total market capitalization was 85.3 MSEK.

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 games. In November 2008, trading in G5's shares was moved to Aktietorget exchange in Stockholm.

Largest Stockholders as of 31 December 2010

Stockholder	No. of Shares	Holding / Votes
NORDNET PENSION	1 232 563	16,61%
WIDE DEVELOPMENT LTD*	720 000	9,70%
SHULTS, SERGEY	673 000	9,07%
TABUNOV, ALEX	660 000	8,90%
AVANZA PENSION	588 722	7,93%
OSCARSSON, DAVID	418 000	5,63%
SVENSK, TOMMY	387 000	5,22%
ABN AMRO BANK NV	337 000	4,54%
LILJEDAL, TORBJORN	146 507	1,97%
ALTAPLAN BERMUDA LTD	108 750	1,47%
Total	5 271 542	71,04%

Source:Euroclear Sweden AB

*Company controlled by Vlad Suglobov.

Activities during 2010

During 2010, G5 released a total of 27 games for a number of platforms, compared to only 9 games released in 2009. The group aims to release 80 more games in 2011, including games for Android. At the end of 2009, G5 had a portfolio of 17 games. At the end of 2010 G5 had a portfolio of 44 games. With the release of 80 games in 2011, G5's portfolio is set to grow to over 120 games by the end of 2011.

Many of the group's games released in 2010 achieved top positions in various platform and portal charts. *Virtual City HD* for iPad became #1 Top Grossing (by revenue generated) game in 17 countries including major EU countries. It has also achieved Top 10 Grossing Game positions in 51 countries. *Romance of Rome HD* for iPad became Top 10 Grossing Game in 54 countries including USA and major EU countries. *Mushroom Age*, *Treasure Seekers* games, *The Mystery of the Crystal Portal* games, all achieved high rankings and very positive user reviews.

During 2010, G5 has established important developer partnerships with some of the world's best casual game development studios, and the group was actively filling its pipeline with projects to be published during 2011.

In Q2 2010 the group became both profitable and cash flow positive as a result of transitional period of 2009 when the group changed its business from developing games for other publishers to publishing its own games and games developed by other companies. During 2010, the group generated enough cash to cover costs and further invest in expanding the business.

In November 2010, G5 Entertainment AB signed the agreement to purchase 30% of G5 UA Holdings Limited – the owner of the group's development studio in Ukraine, for USD 125 000, to be paid in several installments within the course of 2011. Following the purchase, G5 Entertainment AB will be 100% owner of outstanding shares in G5 UA Holdings Limited, which is actively expanding. This transaction completes the consolidation of the companies within G5 Entertainment Group. There will be no result attributed to non-controlling interest 2011.

Significant Events after Year End

G5 released 9 games for Mac on the Mac App Store launched by Apple in January 2011. G5's games went directly to the top charts following the release. Virtual City for Mac became global Mac App Store hit, reaching Top 10 Grossing Games positions in the charts of all major territories, including USA and EU.

G5 continued releasing games on iOS and other platforms and a total of 15 games were released during Q1 2011. The group plans to release a total of 80 games during 2011.

G5 announced that it will bring its first Android games to market during Q2 2011.

The total number of downloads of G5's games on iOS surpassed 12 million mark.

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 in accordance with rapid technological progress.

During 2010, G5 developed a number of new games that were published during 2010 and Q1 2011.

In 2010, Research and development cost amounted to 1 349 KSEK (1 135 in 2009).

Environment

G5 group does not work in an area where the environment will be affected in any material way. 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 Mac, 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 2010 is 22 822 KSEK (3 776 KSEK in Q1, 4 430 in Q2, 6 501 KSEK in Q3, 8 115 KSEK in Q4), up 141% compared to 9 475 KSEK for the same period of 2009.

Operating result after financial items for the period January-December 2010 is 8 758 KSEK (1 296 KSEK in Q1, 1 681 KSEK in Q2, 2 864 KSEK in Q3, 2 917 KSEK in Q4), compared to operating loss of 1 508 KSEK in 2009.

Earnings per share for the period is 1.00 SEK.

Liquidity

Current assets of the group as of December 31st 2010 were 10 900 KSEK. Current liabilities: 5 066 KSEK. Working capital (CA-CL): 5 834 KSEK. Current ratio (CA divided by CL): 2.15.

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 other 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.

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 brought 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 during 2011. 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 2011. 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	-297
Net result for the year	6 224
Total	**13 338**

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	5 927
Total	**13 338**

Group Financial Results

Income Statement

GROUP INCOME STATEMENT	NOTE	2010	2009
Net Sales	4	22 822	9 475
Production cost	5, 6, 12	-8 538	-7 147
Gross Profit		**14 284**	**2 328**
General and administrative expenses	5, 6, 13	-4 034	-2 992
Other operating losses	16	-1 457	-836
Operating Result before financial items		**8 793**	**-1 500**
Financial income	17	-	1
Financial expenses	18	-35	-9
Operating Result after financial items		**8 758**	**-1 508**
Taxes	8	-1 302	126
NET RESULT FOR THE YEAR		**7 456**	**-1 382**
Attributed to:			
Parent Company's shareholders		7 403	-1 244
Non-controlling interest		53	-138
Weighted average number of shares	10	7 419 574	7 419 574
Earnings per share (SEK) before and after dilution	10	1.00	-0.17

STATEMENT OF COMPREHENSIVE INCOME	NOTE	2010	2009
Income for the period		7 456	-1 382
Recalculation Difference		-281	-464
Total other comprehensive income for the period		**-281**	**-464**
Total comprehensive income for the period		**7 175**	**-1 846**
Attributed to:			
Parent Companys Shareholders		7 132	-1 716
Non-controlling interest		43	-130

Balance Sheet

GROUP BALANCE SHEET	NOTE	2010-12-31	2009-12-31
Fixed Assets			
Intangible fixed assets			
Capitalized development costs	7	8 728	5 462
Goodwill	7, 24	2 272	2 272
		11 000	**7 734**
Tangible fixed assets			
Equipment	7	837	1 008
		837	**1 008**
Total fixed assets		**11 837**	**8 742**
Current assets			
Inventory		52	-
Account receivable	25	4 236	768
Other receivables		1 720	1 227
Liquid funds		4 892	1 962
Total Current assets		**10 900**	**3 957**
TOTAL ASSETS		**22 737**	**12 699**
Equity			
Share capital	9	742	742
Other capital contribution		7 451	7 451
Other reserves		78	349
Profit\Loss Brought Forward		9 400	2 634
Total shareholder's equity		**17 671**	**11 176**
Non-controlling interest		-	188
Total equity		**17 671**	**11 364**
Current liabilities			
Account payable		678	576
Other liabilities		1 311	475
Tax liabilities		2 120	8
Accrued expenses		957	276
Total current liabilities		**5 066**	**1 335**
TOTAL EQUITY AND LIABILITIES		**22 737**	**12 699**
Memorandum items			
Pledged assets	26	750	750
Contingent liabilities	27	None	None

Cash Flow Statement

GROUP CASH FLOW	NOTE	2010	2009
Operating activities			
Profit after financial items		8 758	-1 508
Adjusting items not included in cash flow	21	4 574	3 719
		13 332	**2 211**
Taxes paid		-28	-69
Cash flow before changes in working capital		**13 304**	**2 142**
Cash flow from changes in working capital			
Increase/decrease inventory		-57	-
Increase/decrease in operating receivables		-3 445	931
Increase/decrease in operating liabilities		808	276
Cash flow from operating activities		**10 610**	**3 349**
Investing activities			
Purchase of property and equipment	7	-546	-232
Capitalized development costs	7	-7 115	-4 667
Purchase part of subsidiary	22	-	-189
Cash flow from investing activities		**-7 661**	**-5 088**
CASH FLOW		**2 949**	**-1 739**
Cash at the beginning of the year		**1 962**	**3 812**
Cash flow		2 949	-1 739
Exchange Rate diff		-19	-111
CASH AT THE END OF THE YEAR		**4 892**	**1 962**

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 2008-12-31	**742**	**7 451**	**821**	**3 878**	**12 892**	**762**	**13 654**
Acquisition of shares from non-controlling interest						-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**
Acquisition of shares from non-controlling interest				-637	**-637**	-231	**-868**
Total comprehensive income			-271	7 403	**7 132**	43	**7 175**
Shareholder's Equity as of 2010-12-31	**742**	**7 451**	**78**	**9 400**	**17 671**	**-**	**17 671**

Business and Financial Ratios

Ratios	2010	2009
Financial Strength	78	89
Return on Equity	51	-12
Return on Total Assets	50	-11
Current Ratio	2.15	2.96

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

Parent company Financial Results

Income Statement

PARENT COMPANY INCOME STATEMENT	NOTE	2010	2009
Net Sales	4	22 054	7 587
Production costs	12	-15 440	-5 591
Gross profit		**6 614**	**1 996**
General and administrative expenses	13	-2 317	-1 511
Other operating gains	15	-	-
Other operating losses	16	-251	-383
Operating profit		**4 046**	**102**
Result from participation in Group Companies	7, 20	3 244	-2 281
Financial expenses		-2	-
Profit after financial items		**7 288**	**-2 179**
Taxes	8	-1 064	-27
NET RESULT FOR THE YEAR		**6 224**	**-2 206**

STATEMENT OF COMPREHENSIVE INCOME	NOTE	2010	2009
Net result for the year		6 224	-2 206
Other comprehensive income		-	-
Total other comprehensive income for the period		**-**	**-**
Total comprehensive income for the period		**6 224**	**-2 206**

Balance Sheet

PARENT COMPANY BALANCE SHEET	NOTE	2010-12-31	2009-12-31
Fixed assets			
Financial assets			
Shares in Group Companies	7, 23	1 395	924
		1 395	**924**
Intangible assets			
Capitalized development costs	7	8 422	3 836
		8 422	**3 836**
Current assets			
Account receivables	25	3 091	636
Receivables from Group Companies	11	725	982
Other receivables		1 703	116
Prepaid expenses and accrued income		998	585
Cash at bank		4 494	1 505
		11 011	**3 824**
TOTAL ASSETS		**20 828**	**8 584**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	9	742	742
Non-restricted equity			
Share premium reserve		7 411	7 411
Profit\Loss carried forward		-297	1 909
Net result for the year		6 224	-2 206
		13 338	**7 114**
Total equity		**14 080**	**7 856**
Liabilities			
Accounts payable		263	91
Income tax liability		976	-
Liability to group companies	11	3 249	-
Other liability		1 303	366
Accrued expenses	19	957	271
Total Liabilities		**6 748**	**728**
TOTAL EQUITY AND LIABILITIES		**20 828**	**8 584**
Memorandum items			
Pledged assets	26	750	750
Contingent liabilities	27	None	None

Cash Flow Statement

PARENT COMPANY CASH FLOW	NOTE	2010	2009
Operating activities			
Profit after financial items		7 288	-2 178
Adjusting items not included in cash flow	21	2 313	3 787
Taxes paid		-28	-100
Cash before changes in working capital		**9 573**	**1 509**
Cash flow from changes in working capital			
Increase/decrease in operating receivables		-3 630	1 914
Increase/decrease in operating liabilities		4 161	177
Cash flow from operating activities		**10 104**	**3 600**
Investing activities			
Capitalized development costs	7	-7 115	-4 123
Purchase/sale of shares in subsidiaries	22	-	-189
Cash Flow from investing activities		**-7 115**	**-4 312**
CASH FLOW		**2 989**	**-712**
Cash and bank at the beginning of year		**1 505**	**2 217**
Cash flow		2 989	-712
CASH AND BANK AT THE END OF YEAR		**4 494**	**1 505**

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 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**
Allocation of profit			-2 206	2 206	**0**
Net result for the year				6 224	**6 224**
Shareholder's Equity as of 31 December 2010	**742**	**7 411**	**-297**	**6 224**	**14 080**

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 (Malta), G5 UA Holdings Limited (Malta), and G5 Holding RUS LLC (Russia). 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.

Contacts

MAIL:	BOX 5339, 102 47 STOCKHOLM SWEDEN
PHONE:	+7-495-210-97-94
FAX:	+46-8-545-075-49; +7-495-673-62-98
E-MAIL:	CONTACT@G5E.COM
WEB SITE:	HTTP://WWW.G5E.COM

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 2010, the Swedish Annual Accountant Act and the Swedish Financial Reporting Board, RFR 1:3 for Group has been applied.

New amended standards applied by the group. As of 1 January 2010, the Group applies the revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements. The amended accounting policies involve: expensing transaction fees for business combinations, fixing contingent considerations at fair value on the date of acquisition, and recognizing effects of revaluation of liabilities related to contingent considerations as income or expense in profit/loss for the year. Other news includes two alternative methods for recognising non-controlling interest and goodwill, either at fair value, e.g. goodwill is included in non-controlling interest, or the non-controlling interest is included in net assets. Choice of method is determined individually for each acquisition. Acquisitions made after receiving controlling interest are considered owner transactions and are recognized directly in equity, constituting a change to the G5 Entertainment Group's previous policy, which was to recognize surplus amounts as goodwill.

Changes to the policies have not had a retroactive effect on the Group's financial statements so no figures in the financial statement have been adjusted. G5 Entertainment Group had no acquisition of subsidiaries during 2010 so IFRS 3 had no impact on the financial statement for 2010, but there has been transaction with non-controlling interest during 2010 and those transactions are reported in Equity, page 13.

Other IFRS amendments effective as of 2010 had no impact on the consolidated accounts

Several new or amended standards will not go into effect until coming financial years. No one of those are assessed to have any material impact on G5 Entertainment Group's financial statement for year 2011.

Accounting policy for the Parent Company, see Note 2.

Fiscal Year Info

Fiscal year 2010 is from 1st January, 2010 up to 31st December, 2010.

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 principles and business combination

Subsidiaries

Subsidiaries are companies over which G5 Entertainment AB has a controlling interest. Controlling interest means, directly or indirectly, the right to formulate a company's financial and operational strategies with the aim of receiving economic benefits. When judging whether there is a controlling interest, potential voting shares that can be used or converted immediately are taken into account.

Acquisitions on or after 1 January 2010

Subsidiaries are recognised using acquisition accounting. With this method, acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value of acquired identifiable assets and assumed liabilities on the acquisition date, as well as any non-controlling interest. Transaction expenses, except for transaction fees attributable to issued equity or debt instruments are recognized directly in profit/loss for the year. In business combinations in which the transferred payment, any non-controlling interest, and fair value of previously held interest (for incremental acquisitions) exceeds the fair value of acquired assets and assumed liabilities that are recognized separately, the difference is recognized as goodwill. When the difference is negative, it is recognized directly in profit/loss for the year. Contingent considerations are recognized at fair value on the date of acquisition. In cases where contingent considerations are presented as equity instruments, no revaluation is done and adjustments are made in equity. Other contingent considerations are revalued at each reporting date and the change is recognized in profit/loss for the year. Non-controlling interest arises in cases where the acquisition does not include 100% of the subsidiary. There are two options for recognizing non-controlling interest: (1) recognize the non-controlling interest's share of proportional net assets, or (2) recognize non-controlling interest at fair value, which means that non-controlling interest is part of goodwill. Choosing between the two options for recognizing non-controlling interest can be done individually for each acquisition. For incremental acquisitions, goodwill is determined on the date control is taken. Previous holdings are assessed at fair value and changes in value are recognized in profit/loss for the year. Disposals leading to loss of controlling interest but where holdings are retained are assessed at fair value, and the change in value is recognized in profit/loss for the year.

No acquisition of subsidiaries has been performed during 2010.

Acquisition of non-controlling interest

Acquisition from non-controlling interest is recognised as a transaction in equity, that is, between the parent company's owners (in retained profits) and the non-controlling interest. Therefore, no goodwill arises in these transactions. The change in non-controlling interest is based on its proportional share of net assets.

Sale of non-controlling interest

Sale of non-controlling interest, where some controlling interest is retained, is recognised as a transaction in equity; that is, between the parent company's owners and the non-controlling interest. The difference between retained liquidity and the non-controlling interest's proportional share of acquired net assets is recognised in retained profits.

Transactions eliminated in consolidation

Intra-group receivables and liabilities, income or expenses, and unrealised gains or losses that arise from intra-group transactions between Group companies are entirely eliminated in preparation of the consolidated accounts.

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	2-3

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 estimated 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 affected. 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, Malta 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 2.3. RFR 2:3 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 2.3 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

Net result divided by average equity.

Return on total assets

Operating result before financial items with addition of interest income divided by average total assets.

Current ratio

Current assets divided by current liabilities.

NOTE 4. Classification of Net Sales and fixed assets

The Group

Revenue Classification	2010	2009
Licenses	266	2 911
Royalties	22 556	6 564

Revenue Classification	2010	2009
Sweden	22 054	7 857
Other Countries	768	1 618

Revenue from one customer represent 16 962 KSEK of the total Group´s revenue.

Fixed assets (tangible and intangible asset)	2010	2009
Sweden	10 694	6 108
Other Countries	1 143	2 634

Parent Company

Revenue Classification	2010	2009
Licenses	-	2 911
Royalties	22 054	4 676

NOTE 5. Staff

The staff consists of employees at the Russian subsidiary 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	2010	2009
Men	10	7
Women	4	2

Average Group Co-workers Through Contract Quantity	2010	2009
Men	41	37
Women	16	14

Average Parent Company Employees Quantity	2010	2009
Men	0	0
Women	0	0

Board of Directors Quantity	2010	2009
Men	3	3
Women	0	0

Top Management Quantity	2010	2009
Men	2	2
Women	0	0

Total Staff Remuneration for the Group	2010	2009
Board of Directors	81	70
CEO	875	518
Top management, 2	1 398	864
Employees salary	208	115
Social tax	51	28
Other social costs	134	34
Co-workers through contract	5 503	4 506

CEO is elected by the Board for 3 years.

CEO and top management are compensated by a fixed monthly salary and an earnings-related bonus beginning Q2 2010. Bonus is calculated quarterly as 10 % of operating result before financial items, of which CEO is entitled to 40 % and remaining 60 % is divided between top management. Possible operating loss in a quarter reduces basis for bonus calculation in next quarter, if within present financial year. CEO and top management is not entitled to bonus if operating margin in a quarter is less than 5 %.

The period of notice for the CEO is three months. If termination of employment is on the part of the company then a severance pay corresponding to 3 month's salary 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	2010	2009
Adam Cowburn	-	15
Anders Nilsson	-	35
Ein Stadalninkas	43	20
Johan Wrang	38	-
Total	**81**	**70**

NOTE 7. Fixed Assets

The Group

Intangible Fixed Assets

Goodwill Changes	2010	2009
Intangible fixed assets at the beginning of year	2 272	2 727
Write-down during the year	-	-282
Currency exchange difference	-	-173
Intangible fixed assets at the end of year	2 272	2 272

Capitalized development costs and IP Rights Changes	2010	2009
Intangible fixed assets at the beginning of year	5 462	2 519
Investment intangible fixed assets	7 115	4 667
Disposal	-945	-271
Depreciation	-2 915	-1 316
Currency exchange difference	11	-137
Intangible fixed assets at the end of year	8 728	5 462

Capitalized development cost	2010	2009
Accumulated costs	12 401	7 381
Accumulated depreciation / write-downs	-3 673	-1 919
Net amount	8 728	5 462

Tangible Fixed Assets

Tangible Fixed Assets Changes	2010	2009
Tangible fixed assets at the beginning of year	1 008	1 484
Disposal	-210	-238
Investment tangible fixed assets	546	232
Depreciation	-490	-392
Currency exchange difference	-17	-78
Tangible fixed assets at the end of year	837	1 008

Tangible Fixed Assets	2010	2009
Accumulated costs	1 784	1 678
Accumulated depreciation / write-downs	-947	-670
Net amount	837	1 008

Parent Company

Financial Assets Changes	2010	2009
Financial assets at the beginning of year	924	2 750
Sale of financial assets	-412	
Investment financial assets	883	456
Depreciation / write-downs	-	-2 281
Financial assets at the end of year	1 395	924

Capitalized development costs

Intangible Fixed Assets Changes	2010	2009
Intangible fixed assets at the beginning of year	3 836	-
Investment intangible fixed assets	7 115	4 124
Depreciation	-2 529	-288
Intangible fixed assets at the end of year	8 422	3 836

NOTE 8. Taxes

The Group

Group Income Tax Expenses	2010	2009
Current tax	-2 281	126
Deferred tax	-	-
Tax refund	979	-
Total tax expenses	**-1 302**	**126**

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:

	2010	2009
Profit / Loss before tax	8 758	-1 508
Tax according to current tax rate 26.3 %	-2 303	397
Expenses not deductible	-	-600
Refund tax in foreign subsidiaries	979	154
Adjustment for tax rates in foreign subsidiaries	22	175
Tax charge	**-1 302**	**126**

Parent Company

Parent Company Income Tax Expenses	2010	2009
Current tax	-1 064	-27
Total tax expenses	**-1 064**	**-27**

	2010	2009
Profit / Loss before tax	7 288	-2 179
Tax according to current tax rate 26.3 %	-1 917	573
Tax effect of income exempted from tax	853	-
Tax effect of expenses not deductible	-	-600
Tax charge	-1 064	-27

Income not subject for tax includes dividend from subsidiaries at the amount 3 067 KSEK and result from sale of subsidiaries at 177 KSEK.

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.

Dividend

The Board of Directors has decided to propose to the Meeting no dividend to be paid for the financial year 2010.

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:

2010	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 2010, the parent company had 725 (982) KSEK in receivables from group companies and 3 249 (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 17 575 KSEK, of which 7 115 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	2010	2009
Depreciation	3 405	1 708
Write-down of goodwill	-	282
Write-off receivables	-	1 018
License fees	2 581	-
Other	2 552	4 139
Total	**8 538**	**7 147**

Parent Company	2010	2009
Depreciation	2 529	288
Write-off receivables	-	1 018
Subcontractors	10 330	4 285
License fees	2 581	-
Total	**15 440**	**5 591**

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	2010	2009
Travel expenses	415	297
Advertising and PR	482	79
Stock exchange fee	161	140
Bank fee	140	135
Office expenses	1 004	772
Audit fees	508	370
Accounting	289	189
Consulting fees	629	170
Legal fee	250	136
Bad debt losses	14	200
Other external services	160	504
Total	**4 034**	**2 992**

Parent Company's General and administrative expenses:

Parent Company	2010	2009
Travel expenses	396	297
Advertising and PR	475	79
Stock exchange fee	143	140
Bank fee	56	49
Audit fees	372	313
Accounting fees	197	116
Consulting fees	254	89
Legal fees	250	95
Bad debt losses	14	200
Other external services	160	133
Total	**2 317**	**1 511**

NOTE 14. Audit Fees

Group	2010	2009
Mazars SET Revisionsbyrå (Sweden)	372	313
PKF (Hong Kong)	21	43
Victor Schranz (Malta)	99	-
Limbus (Russia)	16	14
Total	**508**	**370**

Parent Company	2010	2009
Mazars SET Revisionsbyrå (Sweden)	372	313
Total	**372**	**313**

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. During 2010 and 2009 there has been no tax consultancy, no other audit assignment and no other services.

NOTE 15. Other operating gains

Parent Company	2010	2009
Currency exchange gains	-	-
Total	**0**	**0**

NOTE 16. Other operating losses

Group	2010	2009
Currency exchange loss	302	325
Disposal of tangible and intangible fixed assets	1 155	511
Total	**1 457**	**836**

Parent Company	2010	2009
Currency exchange loss	251	383
Total	**251**	**383**

NOTE 17. Financial income

Group	2010	2009
Interest bank	-	1
Exchange rate gains	-	-
Total	**-**	**1**

NOTE 18. Financial expenses

Group	2010	2009
Bank fees	35	9
Total	**35**	**9**

NOTE 19. Accrued expenses

Parent company	2010	2009
Accounting	25	25
Audit	150	201
Royalty	779	-
Other	3	45
Total	**957**	**271**

NOTE 20. Result from participation in group companies

Income	2010	2009
Write-off shares	-	-2 281
Result from sale of subsidiaries	177	-
Dividend from subsidiaries	3 067	-
Total	**3 244**	**- 2 281**

NOTE 21. Adjustments for items not included in cash flow

Group

Adjustments	2010	2009
Depreciation	3 405	1 708
Write down of Goodwill	-	282
Gain and losses from selling and disposal of tangible and intangible	1 155	511
Write down of account receivable	14	1 218
Total	**4 574**	**3 719**

Parent company

Adjustments	2010	2009
Depreciation	2 529	288
Write-off receivables	14	1 218
Result from sale of subsidiaries	-177	-
Write-off shares in subsidiary	-	2 281
Other	-53	-
Total	**2 313**	**3 787**

NOTE 22. Acquisition of subsidiaries

2010

30% shares of both G5 UA Holdings LTD (Hong Kong) and G5 UA Holdings LTD (Malta) were acquired during 2010 by G5 Entertainment AB, bringing total ownership to 100%. The purchase price was KUSD 125, to be paid in several installments within the course of 2011.

All assets, licenses and trademarks of Shape Games Inc were acquired by G5 Entertainment AB and 100% shares in Shape Games Inc were sold during 2010 for 87 KUSD, to be paid after balance date.

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 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 transactions was 0 SEK.

NOTE 23. Shares in Subsidiaries

Change	2010	2009
Accumulated value, opening balance	924	2 750
Purchase of shares	883	456
Sale of shares / Write-off shares Shape Games Inc	-412	-2 281
Accounted value at the periods end	1 395	924

Parent company's share holdings in group companies

Subsidiary	Corporate ID	Reg. office	No. of shares	Equity holding, %	Vote holding, %	Carrying amount, KSEK
G5 Holdings LTD (inactive)	1005090	Hong Kong	1 000	100%	100%	500
G5 Holdings LTD	C 48516	Malta	1 200	100%	100%	12
G5 UA Holdings LTD	C 49290	Malta	1 200	100%	100%	876
G5 Entertainment INC (inactive)	3321541	USA	1 000	100%	100%	7

Subsidiaries share holdings in group companies

Subsidiary	Corporate ID	Reg. office	No. of shares	Equity holding, %	Vote holding, %	Carrying amount, KSEK
G5 UA Holdings LTD (inactive)	1187456	Hong Kong	1 000	100%	100%	0.08
G5 Holding RUS LLC	5087746112658	Russia	100	100%	100%	3

NOTE 24. Impairment test of Goodwill

The gaming business in the subsidiary Shape Games Inc was in all material aspects transferred to the parent company G5 Entertainment AB in 2009. 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.

NOTE 25. Write-down of Account Receivables

In 2010, the G5 group did a write-down of KSEK 14 for account receivables of an invoice that was not paid during a 12 months period after the invoice date.

NOTE 26. Pledged assets

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

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

G5 Group has the possibility to use factoring service for improvement of its cash position, up to maximum 1 360 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 2010.

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 Euro.

At 31 December 2010, if the USD/EUR had weakened/strengthened by 5% against the SEK with all other variable held constant, the net result for the year would have been 287 (49) KSEK higher/lower.

Financial instruments split into categories (Group)

Financial Assets	2010	2009
Account receivables	4 288	768
Other receivables	1 720	1 227
Cash at bank	4 892	1 962
Loans and Receivables	10 900	3 957

Financial Liabilities	2010	2009
Account payable	678	576
Other liabilities	1 311	472
Accrued expenses	957	276
Financial liabilities measured at amortized costs	**2 946**	**1 324**

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

Ein Stadalninkas /s
Chairman

Vlad Suglobov /s
CEO

Johan Wrang /s

Stockholm, Sweden, 2011-05-23

Our audit report was issued on 2011-05-23

Mazars 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 2010. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 5-31. 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 2011-05-23

Mazars SET Revisionsbyrå AB
Tomas Ahlgren /s
Authorized Public Accountant

Glossary

Q1, Q2,…	Calendar quarters of the year starting 1st January.
KSEK	Thousands of Swedish krona
MSEK	Millions of Swedish krona
RUR	Russian ruble
3G	Third generation wireless network
LLC	Limited liability Company under Russian law
LTD	Limited liability Company under Malta law
PC	Personal Computer platform
MAC	Apple's Macintosh computer
iOS	iPad, iPod, iPhone and Apple TV operating system
PSP	PlayStation Portable: a handheld game console by Sony Corporation
DSi	Nintendo DSi: a handheld game system by Nintendo
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 2011 report on August 15th 2009, Q3 2011 report on November 15th 2010, Q4 2011 report on February 24th 2012.

G5 Entertainment AB (publ) unites a group of companies: G5 Holdings Limited (Malta), G5 UA Holdings Limited (Malta), G5 Holding RUS LLC (Russia).

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

G5 Entertainment started as one of the world's leading mobile game development studios, developing games based on popular licenses for Electronic Arts, Disney, THQ, Konami, and other publishers. Since 2009, G5 is developing and publishing downloadable games for iPhone, iPad, Mac, PC, and portable game consoles. G5's portfolio includes popular casual games like Supermarket Mania, Virtual City, Stand O'Food, and Mahjongg Artifacts. G5 also develops games based on third party licenses, and publishes games developed by third party developers.

G5 ENTERTAINMENT AB (publ)
BOX 5339, 102 47 STOCKHOLM SWEDEN
PHONE: +7 495 210 97 94
FAX: +46-8 545 075 49, +7 495 637 62 98
E-MAIL: CONTACT@G5E.COM
ORG.NR. 556680-8878
HTTP://WWW.G5E.COM