



Ayima Group AB (publ)

Corp. ID no. 559095-9291

ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2018

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Administration report

Highlights

Ayima Group AB and its subsidiaries (The “Group”) are a leading provider of digital marketing services.

The Group provides innovative digital marketing solutions to deliver real growth in online sales for clients all across the globe. Using our vast experience and knowledge of the industry, combined with technology-based solutions built by its in-house team of web developers, Ayima have been at the forefront of the digital marketing industry for over 11 years.

By setting a clear strategy and focusing on execution, the Company has continued to deliver in all key areas, namely revenues and growth, investment in technology and diversification of the business. The Board is confident that the Group remains well positioned to continue this strong growth and to further develop its business.

Financial Highlights

- Total Revenue amounted to 183.0 MSEK (129.6) an increase of 41.2% from 2017.
- Gross Profit amounted to 97.6 MSEK (68.8) an increase of 41.9% from the same period in 2017
- EBITDA amounted to -2.6 MSEK (-15.1) an improvement of 12.5 MSEK from 2017
- Total Comprehensive Income (after tax and exceptional items) amounted to -7,1 MSEK (-11.3)
- Balance Sheet assets amounted to 120.2 MSEK (51.5)
- Net cash increased by 3.0 MSEK in the period to 3.9 MSEK
- Earnings per share was -1.31 SEK (-2.55) in the period. Earnings per share after dilution amounted to -1.31 SEK (-2.55)

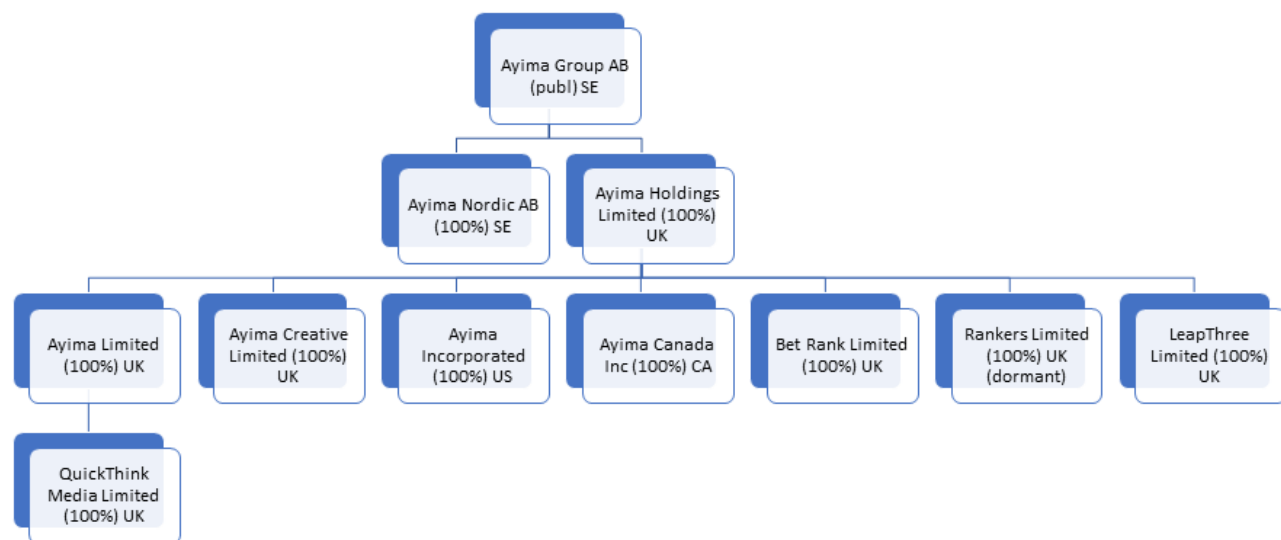
Operating highlights

- Positive impact of LeapThree acquisition will accelerate profit growth and strategic progress
- Strong performance from LeapThree adding skills and client base in additional verticals, data and analytics
- Ongoing R&D has strengthened the Group’s in-house operations and enhanced our technological capabilities
- Continued organic growth in all business segments and geographies.

Information on the business

Ayima Group AB with org. no. 559095-9291 and registered office in Stockholm is the parent company of a group comprising the subsidiaries Ayima Holdings Limited with registration number 10353201 and the Swedish subsidiary Ayima Nordic AB with org. no. 556876-7510. The subsidiary Ayima Holdings Ltd is active in London with the 100% owned subsidiaries Ayima Ltd, Ayima Creative Ltd, Rankers Ltd (dormant), Ayima Inc., Ayima Canada, LeapThree Limited and Bet Rank Limited. Ayima Holdings Ltd and Ayima Nordic AB are wholly owned by the parent company. Ayima Holdings registered a new 100% owned subsidiary, Bet Rank Limited on 2018-06-25 providing specialised digital marketing services to the gaming industry. On 2019-09-17 Ayima Group AB completed the acquisition of 100% of LeapThree Limited, a UK company specialising in Data and Analytics. In order to maximise efficiency when consolidating the group financial results, ownership of LeapThree was transferred to Ayima Holdings on 2018-12-31. The group structure is outlined below.

The parent company currently operates as holding company and its subsidiaries are operating companies providing services in digital marketing. The purpose of this structure is that, in the future, the Company will be able to easily acquire subsidiaries without significantly affecting existing companies' operations. The group was formed on 2017-01-31.



Ayima's offices



Services

SEO

Search Engine Optimisation (SEO) is the practice of increasing the number and quality of visitors to a website by improving rankings in the algorithmic search engine results.

Research shows that websites on the first page of Google receive almost 95% of clicks, and studies show that results that appear higher up the page receive an increased click through rate (CTR), and more traffic. SEO, therefore, involves making sure a website is accessible, technically sound, uses words that people type into the search engines, and provides an excellent user experience, with useful and high quality, expert content that helps answer the user's query.

Paid Media

Paid media refers to external marketing efforts that involve a paid placement. Paid media includes PPC advertising, branded content, and display ads. Paid media is an essential component of revenue growth and brand awareness for online businesses. paid social uses sponsored content or advertising to boost your website presence in third party feeds and pages. a Facebook or Pinterest page, a Twitter account or a YouTube channel

Content/Creative

Content marketing is a type of marketing that involves the creation and sharing of online material (such as videos, blogs, and social media posts) that does not explicitly promote a brand but is intended to stimulate interest in its products or services.

Data & Analytics

Data analysis is a process of inspecting, cleansing, transforming, and modeling data with the goal of discovering useful information, informing conclusions, and supporting decision-making.

Data analytics refers to qualitative and quantitative techniques and processes used to enhance productivity and business gain. Data is extracted and categorised to identify and analyse behavioural data and patterns, and techniques vary according to organisational requirements.

Analytics is the discovery, interpretation, and communication of meaningful patterns in data; and the process of applying those patterns towards effective decision making. Organisations may apply analytics to business data to describe, predict, and improve business performance.

Multi-year summary, Group

	Group		Parent Company	
	2018-01-01 2018-12-31	2017-01-01 2017-12-31	2018-01-01 2018-12-31	2017-01-01 2017-12-31
KEY RATIOS				
Amounts in SEK				
Result				
Revenue	182 983	129 491	2 587	25
Operating profit/loss	-7 659	-17 246	920	-876
Profit/loss for the period	-7 148	-10 720	-4 960	-859
Financial position				
Total assets	120 210	51 503	70 166	15 672
Equity	40 485	24 887	32 443	15 376
Equity ratio, %	34%	48%	46%	98%

The equity ratio is defined as equity plus untaxed reserves minus the tax component of untaxed reserves in relation to total assets.

Significant circumstances and events

On 2018-02-05 Ayima Group AB signed an agreement with a small group of investors for a loan instrument to provide 8.5Msek. The reason for the loan was that the board recognised a need for additional working capital due to the robust growth in customer acquisition and associated staff recruitment.

Ayima has an Enterprise Management Incentives (EMI) scheme. The founders of Ayima are believers in the concept of "Employee Ownership" and the purpose of this scheme is to increase staff loyalty and motivation, and therefore retention. Any warrants or shares are held for the employees by the Ayima Employee Benefit Trust 2011 (EBT). The goal is to make all long serving staff shareholders of the company and share in the value that their work helps to create. Additionally, it will provide a powerful tool for attracting new talent and ultimately stabilise salary costs, which currently make up 75% of the company's operating expenditure and are the key to strong profit margins in the future.

In summary, the scheme provides long term value to the company and its shareholders.

Ayima issued 300 000 warrants to the EBT dated 2018-05-01. The warrants owned by the EBT will be transferred to staff who have been employed by the company for a minimum of 12 months at 2018-05-24 with the following conditions and limitations:

- Employees that have been employed within the Company's group for at least 12 months but less than 4 years as of 24 May 2018 shall be entitled to options over warrants corresponding to 25 % of their gross annual salary.
- Employees that have been employed within the Company's group for more than 4 years as of 24 May 2018 shall be entitled to warrants corresponding to 40 % of their gross annual salary.
- When calculating the number of warrants that each employee is entitled to, the average trading price of the Company's shares in April 2018 shall be used.
- Key personnel within the Company's group might be offered more warrants.
- Warrants that are not transferred to employees shall be kept by Ayima Employee Benefit Trust 2011 for later transfer to future employees, in accordance with instructions from the board of directors.
- The options will vest at a rate of 25% per year for 4 years.
- Holders of warrants are entitled to subscribe for one new share of class B in the Company for each warrant at a subscription price of 1 SEK. during the month of May in years 2019, 2020, 2021 and 2022

213 503 shares were owned by the EBT at 31 December 2018.

Ayima Holdings Limited registered a new subsidiary undertaking Bet Rank Limited on 2018-06-25 this is a new specialist business unit, tailored specifically for the iGaming industry, where Ayima already has considerable experience.

On 2018-07-31 Ayima signed the Share Purchase Agreement (SPA) to acquire 100% of the share capital in LeapThree Limited, a leading UK-based Digital Analytics and Conversion Rate Optimisation agency. The initial purchase price was GBP2.175M (25 MSEK), and consideration was completed through the issue of 26 800 A shares and 784 662 B Shares along with payment to the sellers of cash consideration of GBP 400K (SEK 4.6M approx). Ayima completed the acquisition of LeapThree Limited on 2018-09-17. In their most recent Financial Year, LeapThree Limited achieved profit before taxation of 4.8 MSEK on turnover of 9.25 MSEK. The deal also includes provisions for an earn-out that will provide a strong incentive for profit growth in the following three years. The acquisition will provide a boost to Ayima's stated goal of developing new revenue streams in the areas of Analytics, CRO, AI and Machine Learning, whilst also adding a rapidly growing and highly profitable business. The Integration of the new company has gone smoothly, and we already see exciting cross-selling opportunities within our current client base that will allow Analytics to grow rapidly as profit centre for Ayima.

On 2018-08-06 Ayima announced that it submitted an application to Nasdaq regarding a change of trading platform from Spotlight (previously Aktietorget) to Nasdaq First North. We felt strongly that Nasdaq is the natural home for a global digital and tech-focussed company such as Ayima. Being listed on Nasdaq will also serve to strengthen Ayima's reputation amongst our clients and potential clients around the world, many of whom are Nasdaq listed themselves. Ayima completed their move from Aktietorget/Spotlight to Nasdaq First North on 2018-09-06.

As the Company's business is expanding rapidly and to best meet the Company's auditing needs, the Board decided to appoint the auditor firm, BDO, who it currently uses in its biggest market, United Kingdom. The Board of the Company hold that BDO will be able to provide better overall support and services for the Company to cope with its future business development. Ayima held an Extraordinary General Meeting on 2018-10-19 to appoint BDO Sweden AB, with Niclas Nordström as the auditor in charge, as new statutory auditor of the Company for 2018.

In early November Ayima UK successfully completed the annual ISO27001 audit and has maintained the certification until November 2019. ISO/IEC 27001 provides requirements for an information security management system (ISMS). The Standard helps Ayima manage the security of assets such as financial information, intellectual property, employee details or information entrusted to Ayima by third parties.

Events after the period

Strong growth has put pressure on the available working capital. The company has made the decision to hasten the return to positive result and cashflow by undertaking some restructuring during Q1 of 2019. Restructuring will result in the disbandment of one unprofitable business unit and other headcount reductions in managerial and administrative areas. Operations will remain largely untouched and there is not expected to be any negative impact on revenue, growth or operational effectiveness. The restructuring will result in approximately 10MSEK of annual cost savings, the net impact on the full year of 2019 is expected to be approximately 7M after exceptional costs. Overall the main financial objective of the company remains growth over margin, however it is recognised that the company needs to return to positive cashflow in order to support the continued investment in growth.

On 2019-03-27 Ayima issued a notice of an EGM to be held on 2019-04-16. The agenda for the meeting includes the draft resolution upon an issue of up to 969,943 shares of series B, resulting in an increase of the share capital by no more than SEK 969,943.00 or approximately 13.6 MSEK. . The Board of Directors further proposes that the EGM resolves upon an issue of up to 969,943 warrants of series TO1, entitling to subscription of 484,971 shares of series B in the Company, whereby the share capital may increase by no more than SEK 484,971.00 using the issued warrants of series TO1. The share capital may increase by no more than SEK 1,454,914.00 upon full subscription of the shares of series B and full utilization of the issued

warrants of series TO1. The planned rights issue of around 13.6 MSEK aims to strengthen the Company's balance sheet, enable potential acquisitions and invest in the Company's future growth to capitalize on the strong underlying market development.

Future development

Looking ahead to the coming year Ayima have confirmed 17 new clients coming on board from January 2019 onward, there are no scheduled increases in operating costs in the coming year therefore the positive trend in EBITDA will continue and the group will return a healthy profit in 2019. Overall the main financial objective of the group remains growth over margin, however it is recognised that the group needs to return to positive cashflow in order to support the continued investment in growth.

After the successful integration of LeapThree into Ayima, acquisitions remain a primary focus for growth of the group. Acquisitions will be largely funded by equity, so will add little in the way of financing costs but will increase cash flow and available working capital.

Financial risk management

The Group's risk management is coordinated at its head office, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to volatile financial markets.

For a further description of the Group's financial risk management, please refer to the section Financial risk management, Note 3, among the supplementary disclosures.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

Operational risks and uncertainty factors

Risks and uncertainties

The Group's material risks and uncertainties include market and business risk, political risk, operational risks and financial risks, and currency variance risks. Business and market risks may relate to greater customer exposure for specific sectors and companies as well as sensitivity to market conditions. Political risks relate to ongoing uncertainty in relation to Brexit. Operational risks include dependence on individuals, skills supply and intellectual property and meeting client's high standards. Financial risks mainly relate to foreign exchange and credit risks.

Brexit

Brexit continues to pose a risk to Ayima, as it does to any group operating in Britain. The group has definitely felt some Brexit-related uncertainty from its clients in terms of general business confidence and will respond to any Brexit related events as they occur, promptly and efficiently. Despite the uncertainties, the board is confident that trading shouldn't be unduly interrupted as Ayima are a service not goods-based business.

Credit risk

Credit risk is limited since Ayima only accept creditworthy counterparties. Expected Credit Losses are nil for 2018. All trade receivables at year end have been fully paid at the date of this report.

Client risks

Client concentration: relying too much on one particular client, Ayima carefully monitor and review client % of revenues regularly to assess the status of each client and take action if necessary. Ayima are considered to have a good spread of risks across companies and sectors.

Client losses: contracts are usually for a minimum of 12 months, renewals are automatic, and if necessary, agreed well in advance of contract end dates, there are minimum notice periods in every contract.

FX Variances

Currency variance risks related to fluctuations in the exchange rate can have an impact on Ayima when reporting in SEK. Day to day operations are not significantly impacted as revenue and costs are mainly in the same currency in each market.

Staff

Ayima have around 107 FTEs or FTE equivalents globally, through employee engagement initiatives and regular staff appraisals staff retention remains around 95%.

Since gaining the ISO 27001 certification in 2016 Ayima have more robust documentation protocols around processes and tasks which helps mitigate against the risk of losing knowledge if key staff leave.

Along with the existing graduate recruitment programs and staff training initiatives, Ayima has rolled out the employee share scheme. All of these initiatives will promote high staff retention, thereby mitigating operational risks.

Legislation

Operational risks are handled in a structured manner through well-established processes in line with ISO27001. Ayima Limited maintained its ISO 27001 certification in 2018 assuring clients and other external stakeholders of the highest standards of information control and security. A full review and compliance check was undertaken well in advance of the implementation of GDPR (General Data Protection Regulation) in May 2018, all agreements with internal and external stakeholders were reviewed and updated if necessary, this includes but is not limited to client contracts, supplier agreements, staff handbooks and employment contracts.

Research and Development

Total capitalized costs for capitalized development expenses amounted to SEK 6 077 thousand (4 146) during the year. Expenses related to research and development amounted to SEK 1 805 thousand (3 004) during the fiscal year,

Capitalisation of internally developed software takes place when all the requirements set out in note 2.5 are met. To distinguish research phases from development phases in new projects and to assess whether the requirements for capitalization of development costs are met, require estimates and assessments, which are described in more detail in Note 4.

Ownership structure

Owner list with largest owners

Shareholding at 2018-12-31	No A Shares	No B Shares	Control (%)	Capital (%)
New Equity Ventures*	-	1 240 962	15.3	20.5
Michael Jacobson	66 666	821 157	18.4	14.7
Michael Nott	66 667	760 837	17.7	13.7
Timothy Webb	66 667	870 837	19.0	15.5
Gaming Realms PLC**	-	347 487	4.3	5.7
Digital Spine AB***	-	16 500	0.2	0.3
Ayima EBT****	-	213 502	2.6	3.5
Michael Feiner	15 000	390 731	6.7	6.7
Peter O'Neill	11 800	301 441	5.2	5.2
Others	-	856 208	10.6	14.2
Total	226 800	5 819 662	100,00	100,00

* 100 % owned by New Equity Ventures Group

** London-based company listed on the London Stock Exchange Aim

***Controlled by Björn Mannerqvist

**** Ayima EBT established for 8 key employees in the Company

Ayima has an Enterprise Management Incentives Scheme (EMI), in which shares were issued to key personnel in the UK. The shares are managed by the trustees of the Ayima Employee Benefit Trust 2011 (EBT). A total of 213 502 shares are owned by the EBT as at 31 December 2018.

Ayima issued 300 000 warrants to the EBT, dated 2018-05-01. The warrants owned by the EBT will be transferred to staff who have been employed by the company for a minimum of 12 months at 2018-05-24. Holders of warrants are entitled to subscribe for one new share of class B in the Company for each warrant at a subscription price of 1 SEK during the month of May in years 2019, 2020, 2021 and 2022.

Proposed appropriation of earnings at the 2019 AGM

The Board of Directors proposes that the unappropriated earnings as at 31 December 2018, SEK 26 396 927, be carried forward.

For changes in equity during the financial year, please refer to the Consolidated and Parent Company statements of changes in equity.

Otherwise, please refer to the following financial statements with notes.

Consolidated income statement

Amounts in kSEK	Note	2018-01-01	2017-01-01
		2018-12-31	2017-12-31
Revenue	5	182 983	129 491
Other operating income		58	80
Total		183 041	129 571
Operating expenses			
Direct expenses		-85 391	-60 793
Other external expenses	6, 20	-27 844	-24 163
Employee benefits	7	-74 715	-59 773
Depreciation and amortization Tangible and Intangible assets	9,10	-2 488	-2 088
Other operating expenses		-261	—
Total operating expenses		-190 700	-146 817
Operating profit / loss		-7 659	-17 246
Financial income		356	18
Financial expenses		-2 992	-258
Result from financial items		-2 636	-241
Profit/Loss before tax		-10 295	-17 487
Deferred tax	8	862	4 884
Income tax	8	2 284	1 883
Profit / Loss for the year		-7 148	-10 720
Profit / Loss for the year attributable to:			
Shareholders of parent company		-7 148	-10 720
Non-controlling interests		—	—
<u>Earnings per share before dilution, SEK</u>		-1,31	-2,55
<u>Earnings per share after dilution, SEK</u>		-1,31	-2,55
Average No. of shares before dilution		5 464 617	4 206 690
Average No. of shares after dilution		5 464 617	4 206 690

Consolidated statement of comprehensive income

Amounts in kSEK	2018-01-01 2018-12-31	2017-01-01 2017-12-31
Profit/Loss for the year	-7 148	-10 720
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Translation differences in translation of foreign operations	720	-640
Other comprehensive income for the year, net of tax	720	-640
Total comprehensive income for the year	-6 429	-11 360
Total comprehensive income attributable to:		
Shareholders of parent company	-6 429	-11 360
Non-controlling interests	—	—

Consolidated statement of financial position

Amounts in kSEK	Note	2018-12-31	2017-12-31
ASSETS			
Non-current assets			
Goodwill	9	38 670	1 171
Capitalised development expenditures	9	14 600	8 465
Customer contracts	9	15 269	5 161
Other intangible assets	9	71	74
Tangible assets	10	3 072	3 105
Financial assets	11	2 837	2 776
Deferred tax assets	8	4 887	4 298
Total non-current assets		79 405	25 050
Current assets			
Trade receivables	12	25 193	16 926
Current tax assets	8	2 308	1 905
Other receivables	13	7 755	5 315
Prepaid expenses and accrued income	14	1 693	1 434
Cash and cash equivalents		3 856	874
Total current assets		40 805	26 453
TOTAL ASSETS		120 210	51 503

Consolidated statement of financial position, cont.

Amounts in kSEK	Note	2018-12-31	2017-12-31
Equity			
Share capital	15	6 046	5 235
Other paid in capital		34 598	13 383
Reserves		-65	-785
Retained earnings including result for the year		-94	7 054
Total equity		40 485	24 887
LIABILITIES			
Non-current liabilities			
Borrowings	16	636	1 217
Other long term liabilities	16	26 820	–
Deferred tax liabilities	8	1 849	282
Total non-current liabilities		29 305	1 499
Current liabilities			
Borrowings	16	10 667	4 582
Trade payables		16 477	11 379
Current tax payables		–	12
Liabilities to related parties		11 173	52
Other liabilities	17	6 327	6 286
Deferred income and accrued expenses	18	5 776	2 807
Total current liabilities		50 420	25 117
TOTAL EQUITY AND LIABILITIES		120 210	51 503

Consolidated statement of changes in equity

	<i>Share capital</i>	<i>Other paid in capital</i>	<i>Reserves</i>	<i>Retained earnings including profit or loss for the year</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
Opening balance at 2017-01-01	1	6 250	-145	18 664	24 770	-469	24 301
<i>Comprehensive income</i>							
Profit/loss for the year				-10 720	-10 720	–	-10 720
<i>Other comprehensive income</i>							
Translation differences			-640		-640		-640
Total comprehensive income	–	–	-640	-10 720	-11 360	–	-11 360
<i>Transactions with shareholders</i>							
Effect of reverse acquisition and issue in kind	3 549	-3 868		-889	-1 208	469	-740
New share issue	1 685	12 500			14 185		14 185
Issue expenses		-1 500			-1 500		-1 500
Total	5 234	7 132	–	-889	11 477	469	11 945
Balance at 2017-12-31	5 235	13 383	-785	7 054	24 887	–	24 887

The amounts disclosed are after the restatement for the correction of the error disclosed in note 4, affecting *Other paid in capital*.

Consolidated statement of changes in equity, cont.

	<i>Share capital</i>	<i>Other paid in capital</i>	<i>Reserves</i>	<i>Retained earnings including profit or loss for the year</i>	<i>Total</i>	<i>Non- controlling interests</i>	<i>Total equity</i>
Balance at 2018-01-01	5 235	13 383	-785	7 054	24 887	–	24 887
<i>Comprehensive income</i>							
Profit/loss for the year				-7 148	-7 148		-7 148
<i>Other comprehensive income</i>							
Translation differences			720		720		720
Total comprehensive income	–	–	720	-7 148	-6 429	–	-6 429
<i>Transactions with shareholders</i>							
Share option scheme		1 497			1 497		1 497
New share issue	811	19 719			20 530		20 530
Total	811	21 215	–	–	20 530	–	22 495
Balance at 2018-12-31	6 046	34 598	-65	-94	40 485	–	40 485

Consolidated statement of cash flows

Amounts in kSEK	2018-01-01 2018-12-31	2017-01-01 2017-12-31
Cash flow from operating activities		
Operating profit/loss	-7 659	-17 246
Adjustment for non-cash items		
- Depreciation and amortisation	2 488	2 088
- Share option scheme	1 497	–
- Unrealised exchange-rate differences	–	-412
- Other non-cash items	–	1 195
Interest received	1	18
Interest paid	-688	-258
Tax paid	1 039	10
Cash flow from operating activities before change in working capital	-3 322	-14 606
<u>Changes in working capital</u>		
Increase/decrease in operating receivables	-9 382	-3 943
Increase/decrease in operating liabilities	5 608	7 594
Cash flow from operating activities	-7 096	-10 955
Cash flow from investing activities		
Investments in intangible assets	-5 949	-4 245
Investments in tangible assets	-1 268	-674
Investments in group companies	1 457	–
Cash flow from investing activities	-5 760	-4 919
Cash flow from financing activities		
New share issue	–	14 185
Issue expenses	–	-1 500
Borrowings (note 16)	18 467	2 634
Amortisation of borrowings	-2 587	0
Cash flow from financing activities	15 880	15 319
Cash flow for the period	3 023	-555
Cash and cash equivalents at beginning of the period	874	1 497
Exchange-rate differences in cash and cash equivalents	-41	-68
Cash and cash equivalents at end of period	3 856	874

Parent Company income statement

Amounts in kSEK	Note	2018-01-01 2018-12-31	2017-01-01 2017-12-31
<i>Operating income</i>			
Revenue		2 587	25
Total income		2 587	25
<i>Operating expenses</i>			
Other external expenses	6, 20	-1 667	-901
Total operating expenses		-1 667	-901
Operating profit / loss		920	-876
Profit (loss) from participations in group companies		-4 781	–
Other interest income and similar profit (loss) items		355	18
Interest expense and similar profit (loss) items		-1 454	0
Result from financial items		-5 880	18
Profit / Loss for the year		-4 960	-859

Parent Company balance sheet

Amounts in kSEK	Note	2018-12-31	2017-12-31
ASSETS			
Non-current assets			
Financial assets			
Participations in group companies	24	5 822	3 526
Total financial assets		5 822	3 526
Total non-current assets		5 822	3 526
Current assets			
Current receivables			
Receivables from Group companies		63 318	11 719
Other receivables	13	643	294
Prepaid expenses and accrued income	14	10	55
Total current receivables		63 971	12 068
Cash and cash equivalents		373	78
Total current assets		64 344	12 146
TOTAL ASSETS		70 166	15 672

Parent Company balance sheet, cont.

Amounts in kSEK	Note	2018-12-31	2017-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	15	6 046	5 235
Total restricted equity		6 046	5 235
Non-restricted equity			
Share premium reserve		30 719	11 000
Profit (loss) brought forward		638	–
Profit/loss for the year		-4 960	-859
Total non-restricted equity		26 397	10 141
Total equity		32 443	15 376
Non-current liabilities			
Other long term liabilities	23	25 967	–
Total non-current liabilities		25 967	–
Current liabilities			
Trade payables		432	243
Liabilities to group companies		–	52
Liabilities to related parties		11 173	–
Accrued expenses and deferred income	20	150	–
Total current liabilities		11 755	295
TOTAL EQUITY AND LIABILITIES		70 166	15 672

Parent Company statement of changes in equity

Amounts in kSEK	Restricted equity	Non-restricted equity			Total equity
	Share capital	Share premium reserve	Retained earnings	Profit/Loss for the year	
Equity at 1 Jan 2017	–	–	–	–	–
Formation of Ayima Group AB (publ)	50				
Profit/Loss for the year				-859	-859
Total comprehensive income	–	–	–	-859	-859
<i>Transactions with shareholders</i>					
Issue in kind	3,500				
New share issue	1,685	12,500			14,185
Issue expenses		-1,500			-1,500
Total transactions with shareholders	5,185	11,000	–	–	16,237
Equity at 31 Dec 2017	5,235	11,000	–	-859	15,376

Parent Company statement of changes in equity, cont.

	Restricted equity		Non-restricted equity		Total equity
	Share capital	Share premium reserve	Retained earnings	Profit/loss for the year	
Amounts in kSEK					
Equity at 2018-01-01	5 235	11 000	–	-859	15 376
AGM appropriation of earnings			-859	859	–
Profit/loss for the year				-4 960	-4 960
Total	–	–	-859	-4 101	-4 960
Transactions with shareholders					
New share issue	811	19 719			20 530
Share option scheme			1 497		1 497
Total	811	19 719	1 497	–	22 027
Balance at 2018-12-31	6 046	30 719	638	-4 960	32 443

NOTES

Note 1 General information

Ayima Group AB (publ) with subsidiaries ("Ayima" or "the Group") provides services in digital marketing. The Parent Company is a limited company registered in Sweden with its registered offices in Stockholm.

The Group's head office is located in London at 1 Lindsey Street, EC1A 9HP.

The new Group arose on 31 January 2017 when Ayima Holdings Limited with subsidiaries was acquired through an issue in kind. The acquisition has been recognised as a reversed acquisition, which means that Ayima Holdings Limited is seen as the accounting acquirer and Ayima Group AB (publ) is seen as the acquired company. Payment was made by shares being issued in Ayima Group AB (publ) to the previous owners in Ayima Holdings Limited. Also see Note 21. Comparative figures for the Group pertain to Ayima Holdings Limited and the entire profit/loss is included in 2017 for Ayima Holding Ltd. Ayima Group AB (publ) and Ayima Nordic AB are included in the Group as of the acquisition date of 31 January 2017.

On 25th of April 2019, these consolidated financial statements were approved by the Board for publication.

All amounts are presented in thousands of Swedish kronor (kSEK) unless otherwise stated. The annual report and consolidated financial statements with associated notes were prepared in whole SEK, but presented in kSEK in the annual report. For this reason, the sum of subitems presented may deviate by kSEK 1-2.

Ayima Holdings Limited previously prepared its reports in accordance with International Financial Reporting Standards (IFRS), which is why this 2017 report for the new Group was not seen as a transition to IFRS. The Parent Company Ayima Group AB (publ) has applied IFRS since it was formed in January 2017.

Note 2 Summary of important accounting principles

2.1 Basis of preparation of the financial statements

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS) as adopted by the EU and RFR 1 *Supplementary Accounting Rules for Groups*.

Assets and liabilities are recognised at historical cost.

The most important accounting principles applied in the preparation of these consolidated accounts are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to make certain assessments in applying the Group's accounting principles. The areas involving a high degree of complex assessments, or such areas where assumptions and estimates are of material significance to the consolidated financial statements, are specified in Note 4.

The Parent Company's financial statements have been prepared in compliance with RFR 2 *Accounting for Legal Entities* and the Swedish Annual Accounts Act. Where accounting principles applied by the Parent Company are different to those applied by the Group, this is disclosed separately at the end of this section on accounting principles.

New and revised standards to be applied by the Group in the current period

All standards that entered into effect in 2018 were applied in the consolidated financial statements.

Standards, revisions and interpretations of existing standards that enter into effect in 2019 or later and are deemed to be able to have or have an impact on the financial statements

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRS 16 Leases

IFRS 16 Leases was issued in January 2016 and was endorsed by the EU in 2017. IFRS 16 introduces a single on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a corresponding lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Group has completed a detailed assessment to quantify the impact on its reported assets and liabilities of adoption of IFRS 16. The Group will transition to IFRS 16 using the modified retrospective application approach with no restatement of prior year comparatives. On 1 January 2019 the Group expects to recognise new right-of-use assets of SEK 13,5m and lease liabilities of SEK 13,5m for its operating leases in respect of office premises. The nature of expenses related to those leases will also change as the straight-line operative lease expense will be replaced with a depreciation charge for right-of-use assets and interest expense on lease liabilities, in the first year of adoption these are expected to be approximately SEK 6m and SEK 0,9m respectively.

The group expects that net profit after tax will decrease by approximately SEK 0,3m as a result of adopting these new rules. EBITDA is expected to increase by approximately SEK 6,5m, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability is excluded from this measure.

The group will apply the standard from its mandatory adoption date of 1 January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of lease liability at the date of initial application based on the present value of the remaining lease payments.

2.2 Consolidated financial statements

Subsidiaries

Subsidiaries are all companies over which the Group has a controlling influence. The Group controls a company when it is exposed to or has the right to variable returns from its interest in the company and has the possibility of influencing the returns through its influence in the company. Subsidiaries are included in the consolidated accounts as of the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated accounts from the date on which the controlling influence is relinquished.

Acquisition accounting is used to report the Group's business combinations. The purchase consideration for the acquisition of a subsidiary comprises the fair value of the transferred assets, liabilities and any shares issued by the Group. The purchase consideration also includes the fair value of all assets and liabilities resulting from a contingent consideration agreement.

Acquisition-related costs are expensed as they arise.

Identifiable assets acquired and liabilities assumed in a business combination are initially measured at fair value at the acquisition date. For every acquisition, the Group determines if all non-controlling interests in the acquired company shall be recognised at fair value or at the holding's proportional share of the acquired company's net assets.

The amount by which the purchase consideration, any non-controlling interests and the fair value at the acquisition date of earlier shareholdings exceeds the fair value of the Group's share of identifiable acquired net assets is recognised as goodwill.

Also refer to Note 21 regarding business combinations.

2.3 Segment reporting

As the Group's equity instruments are traded in an active market, IFRS 8 *Operating Segments* is applied. An operating segment is a part of a company whose operations at one or more levels are regularly examined by the Group's "Chief Operating Decision Maker" (CODM) who decides what resources are to be allocated to the segment and evaluates the segment's development. Within Ayima, a group consisting of the CEO and the Board has been identified as the CODM.

The operations are followed up with regard to revenues per the following segments linked to service category: *SEO, Paid, Content & Creative* and *Data & Analytics*.

2.4 Foreign currency translation

Functional currency and reporting currency

Items included in the financial statements for the various units in the Group are valued in the currency used in the economic environment in which the respective company is primarily active (functional currency). The consolidated financial statements are presented in Swedish kronor (SEK) as the reporting currency, which is also the Parent Company's functional and reporting currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of each Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Subsidiaries

On consolidation, assets and liabilities have been translated into SEK at the closing rate at the reporting date. Goodwill and fair value adjustments arising on acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into SEK at the closing rate. Income and expenses have been translated into SEK at the average rate over the reporting period with any exchange differences being recognised in profit or loss. Exchange differences relating to the statement of financial position are charged or credited to other comprehensive income and recognised as a sub-category of retained earnings in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

2.5 Intangible assets

Goodwill

Goodwill is the amount by which the cost exceeds the fair value of the Group's share of the acquired subsidiary's net identifiable net assets at the time of acquisition. Goodwill on acquisition of subsidiaries is reported as intangible assets.

Goodwill that is recognised separately is tested annually to identify possible needs for impairment and is recognised at cost less accumulated impairment losses in accordance with IFRS 3. Impairment losses of goodwill are not reversed. Gains or losses upon divestment of a unit includes residual carrying amount of the goodwill pertaining to the divested unit.

Research and development

Development costs incurred are capitalised when all of the following conditions are satisfied:

- i. completion of the intangible asset is technically feasible so that it will be available for use or sale;
- i. the company intends to complete the intangible asset and use or sell it;
- i. the company has the ability to use or sell the intangible asset;
- i. the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- i. there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- i. the expenditure attributable to the intangible asset during its development can be measured reliably.

Capitalised development costs are comprised of staff expenses. Development costs not meeting the criteria for capitalisation are expensed as incurred. Expenditure on research is written off in the year in which it is incurred.

Customer contracts

Customer lists acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values.

They are then accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual value and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. A useful life of 7 to 10 years has been attributed for the Group's Customer contracts.

Other intangible assets

Other intangible assets are recognised at cost less amortisations. Given the nature of the business any long-term software investments which are cash generative have been capitalised.

These are being amortised over a useful life of 4 years at which point new software is considered to have rendered them redundant.

2.6 Tangible assets

Tangible assets are initially recognised at cost.

In the Group, tangible assets consist of cost of improvements on external properties, as well as equipment, tools, fixtures and fittings.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- 10% on cost
Office equipment and other equipment	- 25% on cost

Impairment of tangible assets

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if necessary. If an asset's carrying amount exceeds its estimated recoverable amount, the carrying amount is immediately impaired to its recoverable amount.

A tangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Also refer to the following section regarding the description of impairment of non-financial assets.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not depreciated but are annually tested for impairment. At present, this for the Group is only goodwill.

Tangible assets and such intangible assets that are amortised are impairment tested whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and its value in use. Impairment review is made by grouping assets into cash generating units.

An impairment is reversed when there is evidence that the need for the impairment no longer exists and that a change has taken place in the assumptions that formed the basis for the calculations of the recoverable amount. However, impairment of goodwill is never reversed. A reversal is only made to the extent that the asset's carrying amount, after reversal, does not exceed the carrying amount that would have been recognised, less depreciation/amortisation where appropriate, had the impairment not occurred.

In case of impairment review, assets are grouped into as small cash-generating units as possible. A cash-generating unit is an asset group with essentially independent payments. As a consequence, the impairment needs of some assets are tested individually and some are tested at the cash-generating unit level. Goodwill is allocated to the cash-generating units that are expected to benefit from synergy effects in business combinations and represent the lowest level in the Group where Group Management monitors goodwill.

The impairment need for the cash-generating units to which goodwill has been allocated is reviewed at least once a year. The impairment need of all other individual assets or cash generating units is tested when events or changed circumstances indicate that the carrying amount cannot be recovered.

An impairment loss is recognized for the amount by which the carrying amount of the asset or cash-generating unit exceeds its recoverable amount. In order to determine the value in use, Group Management estimates expected future cash flows from each cash-generating unit and determines an appropriate discount rate to calculate the present value of these cash flows. The data used for impairment testing are directly linked to the Group's most recently approved budget, adjusted as needed to exclude the effects of future reorganizations and asset improvements.

Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the money's time value and asset-specific risk factors. Impairments relating to cash-generating units first reduce the carrying amount of any goodwill distributed on the cash-generating unit. Any remaining write-downs will reduce proportionally the other assets in the cash-generating units. With the exception of goodwill, a new assessment of all assets is made for signs that an earlier write-down is no longer justified. An impairment loss is reversed if the asset or cash-generating unit's recoverable amount exceeds the carrying amount.

2.8 Financial instruments

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose of which the asset was acquired. The Group's accounting policy for each category is as follows:

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial instruments that are not held for the primary purpose of gathering contractual cash flows and do not give rise to cash flows at set times in the form of payments of principal and interest.

In some cases, a market value is not attainable and when such cases occur the investments are recognised at costs and annually reviewed for impairment. Unlisted investments represent a 15% shareholding in Tootsa MacGinty Limited, an e-commerce company registered in Scotland.

This company has a niche trade and therefore it has not been possible to obtain a market value. It will continue to be carried at cost and annually reviewed for impairment until a market value becomes available.

Fair value through other comprehensive income

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

Financial assets held at amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised. The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments and original maturities of three months or less, and – for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Classification of financial liabilities

The Group's accounting policy for each category is as follows:

Financial liabilities through profit and loss

The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items: Bank borrowings and Other long term liabilities are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2.10 Equity

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the capital redemption reserve which comprises non-distributable amounts from a redemption or purchase of the Group's own shares. Retained earnings include all current and prior period retained profits.

2.11 Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2.12 Employee benefits

Pension commitments

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the income statement in the period to which they relate.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black & Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value. Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

2.13 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

Revenue is therefore recognised when a performance obligation is satisfied, in accordance with the terms of the contractual arrangement. Typically, performance obligations are satisfied over-time as services are rendered. Revenue recognised over-time is based on the proportion of the level of service performed. Either an input method or an output method, depending on the particular arrangement, is used to measure progress for each performance obligation. For most fee arrangements, costs incurred are used as an objective input measure of performance. The primary input of substantially all work performed under these arrangements is labour. There is normally a direct relationship between costs incurred and the proportion of the contract performed to date. In other circumstance, relevant output measures such as the achievement of any project milestones stipulated in the contract is used to assess proportional performance.

For our retainer arrangements, we have a stand ready obligation to perform services on an ongoing basis over the life of the contract. The scope of these arrangements is broad and generally are not reconcilable to another input or output criteria. In these instances, revenue is recognised using a time-based method resulting in straight-line revenue recognition.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Further details on revenue recognition are detailed by revenue stream below:

SEO Consulting:

SEO Consulting revenue is recognised on a monthly basis in line with the contractual agreement, contracts are usually for a minimum period of 12 months. Revenue for these services is typically derived from retainer fees and fees for services to be performed subject to specific agreement. Most revenue under these arrangements is therefore earned over-time on an output basis, in accordance with the terms of the contractual arrangement.

Media Link Development:

Media link development is charged on an inputs basis either at a fixed rate per link acquired on behalf of the client or on a monthly basis in line with the contractual agreement with an average number of links acquired over the contract period (12 months).

Paid Media Spend:

Revenue is typically derived from media placements and advertising services. Paid media spend is charged to the client and recognised on a monthly basis as the service is delivered based upon the input costs associated with the spend.

Creative and Content:

Creative and content work is undertaken in two forms, either on an ongoing retainer basis which is billed according to the monthly billing schedule, or a specific project which is quoted in advance and agreed with the client, with a project specific contract or Statement of Work which defines the work to be carried out, the schedule for the work to be completed and the schedule or project milestones for billing. Revenue is recognised each month as the work is completed on an output basis and agreed with the client. Any ad hoc creative work carried out for existing clients is recognised as revenue during the monthly billing cycle, work completed is billed on an hourly basis according to the agreed rate card.

The above policies are all compliant with IFRS 15 and are therefore not deemed to have been impacted by the adoption of the new standard on 1 January 2018.

In relation to all revenue streams no significant judgement has been used.

2.14 Leases

Leases in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made during the lease term are recognised as an expense in profit or loss on a straight-line basis over the lease period.

Leases of fixed assets where the Group essentially takes all the risks and benefits associated with ownership are classified as finance leases. At the beginning of the leasing period, finance leases are recognised in the balance sheet at the lower of the leasing object's fair value and the present value of the minimum lease payments. Each lease payment is divided into repayment of principal and financial expenses to obtain a fixed rate of interest for the recognised liability. Corresponding payment obligations, less financial expenses, are included in the balance sheet item "Other non-current liabilities". The interest portion of the financial expenses is reported in the income statement over the lease period so that each accounting period is charged with an amount corresponding to a fixed interest rate for the respective period's reported liability. Non-current assets held under finance leases are depreciated over the shorter period of the asset's useful life and the lease period.

The Group only has operating leases which relate to premises rent in their entirety.

2.15 Parent Company accounting principles

The accounting principles in the Parent Company essentially match those of the consolidated financial statements. The Parent Company's financial statements have been prepared in compliance with RFR 2 *Accounting for Legal Entities* and the Swedish Annual Accounts Act. RFR 2 sets out exceptions and amendments to the standards issued by IASB and statements issued by IFRIC. The exceptions and amendments are to be applied as of the date the legal entity in its consolidated financial statements applies the given standard or statement.

The Parent Company uses the format presented in the Swedish Annual Accounts Act, which among other things means that a different presentation of equity is applied.

Shares in subsidiaries are recognised at amortised cost less potential impairment losses. When there is an indication that shares or participations in a subsidiary have decreased in value, an estimate of the recoverable amount is made. An impairment loss is recognised if the recoverable amount is less than the carrying amount. Impairment losses are recognised in the item "Profit/loss from participations in Group companies". The cost of participations in subsidiaries includes transaction costs. In the consolidated accounts, transaction costs are expensed in the period in which they arise.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution and presented as an increase in the company's investment in that subsidiary.

IFRS 9 is not applied in the Parent Company, which instead applies p.3-9 in RFR2. Assets that are non-current are held at amortised cost, while assets that are current is valued by *lowest value principle*.

IFRS 16 will not be applied in the Parent Company, instead all leases will continue to be treated as operational leases, i.e. expensed on an ongoing basis.

Note 3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk/financing risk. The Group's overall risk management policy focuses on the unpredictability of the financial markets and strives to minimise potentially unfavourable influences on earnings and liquidity due to financial risks.

The Group's risk management is taken care of by the head office in consultation with the Board and focuses on actively securing the Group's cash flows in the short and median terms. The risk function includes identifying, evaluating and hedging financial risks.

The Group does not apply so-called hedge accounting according to the rules in IAS 39 or IFRS 9.

Market risk

Currency risk

Ayima is an international Group with activities in several countries. The reporting currency is Swedish kronor (SEK). This means that the Group is exposed to currency risks because changes in exchange rates can affect earnings and equity.

Exposure to changes in current is usually divided into two main groups, *translation exposure* and *transaction exposure*.

Translation exposure

The foreign subsidiaries' assets less liabilities constitute a net investment in foreign currency, which upon consolidation gives rise to a translation difference. Such translation differences are charged directly to consolidated equity and recognised under a separate category in equity called *Reserves*. A related form of translation exposure is the profit or loss produced during the year in the foreign subsidiaries that thereby continuously affects the foreign equity. This has a relatively large impact on the Group as operations are primarily based outside Sweden in other currencies than SEK.

Intra-Group borrowings are translated to the applicable closing day rate at the unit that has a receivable or liability denominated in a currency other than the functional currency that applies for the respective unit. Intra-Group borrowings have no net impact on equity, although they affect the consolidated income statement.

Transaction exposure

Transaction exposure usually means the exposure originating from commercial flows, i.e. purchases and sales across borders, and exposure from financial flows.

The majority of the Group's purchases and sales take place in GBP and USD. In the final quarter of 2018, 68% of the sales were in GBP and 28% in USD. Of purchases, 60% were in GBP and 20% in USD. The transaction exposure linked to exchange rate fluctuations on trade payables and trade receivables is limited, however, since invoicing mainly takes place in local currency for the companies in the Group. In addition the Group has factoring agreements for trade receivables in USD and GBP.

Credit risk

Credit and counterparty risk is the risk that the counterparty in a financial transaction does not fulfil its obligations on the due date. Credit risk is managed at a Group level and arises through trade receivables and cash and cash equivalents.

See Note 12 Trade receivables, and the following section, for a further description of the Group's exposure in trade receivables.

Interest rate risk relating to cash flows and fair values

As the Group does not hold any significant interest-bearing assets, the Group's revenue and cash flow from operating activities are essentially independent of changes in market interest rates. The Group's interest

rate risk arises mainly through long-term borrowing. Loans made with floating interest expose the Group to interest rate risk relating to cash flow. Fixed rate borrowing exposes the Group to interest rate risk relating to fair value.

The Group's short-term borrowings in general run at a floating interest rate and are thus exposed to cash flow risk. The Group's long-term borrowings run at fixed interest rates and are thus exposed to interest rate risk relating to fair value. However, as most of the borrowing is short-term in its nature, the overall interest rate risk for the Group is considered to be low.

Refer to Note 16 Borrowing for the description of essential terms for borrowing.

Liquidity risk/Financing risk

At 31 December 2018, the Group had available liquidity of kSEK 3 856. The liquidity consists of bank balances. The Group is revising the liquidity need by forecasting both future inflows and outflows from operating activities and from financing activities. The liquidity need is monitored weekly.

The table below presents the undiscounted cash flows that come from the Group's liabilities in the form of financial instruments, based on the earliest remaining durations contracted at the closing date. The amounts falling due within 12 months agree with booked amounts since the discounting effect is insignificant.

Amounts in foreign currencies and amounts to be paid based on a variable interest rate have been estimated by using the exchange rates and interest rates applicable on the closing date.

Group	Less than 1	Between 1	Between 2	Later than 5
Amounts in kSEK	year	and 2 years	and 5 years	years
At 31 december 2018				
Borrowings	10 667	636	–	–
Other long-term liabilities	13 350	12 580	6 665	–
Liabilities to related parties	12 737	–	–	–
Trade payables and other liabilities	22 805	–	–	–
Total	59 559	13 216	6 665	–
At 31 december 2017				
Borrowings	4 582	640	731	–
Liabilities to related parties	52	–	–	–
Trade payables and other liabilities	17 665	–	–	–
Total	22 299	640	731	–
Parent Company				
Amounts in kSEK	Less than 1	Between 1	Between 2	Later than 5
	year	and 2 years	and 5 years	years
At 31 december 2018				
Other long-term liabilities	13 350	12 580	6 665	–
Liabilities to related parties	12 737	–	–	–
Trade payables	432	–	–	–
Total	26 519	12 580	6 665	–
At 31 december 2017				
Liabilities to related parties	52	–	–	–
Other liabilities	243	–	–	–
Totalt	295	–	–	–

Fair value hierarchy

Ayima classifies measurement at fair value using a fair value hierarchy that reflects the reliability of the input data used to make the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices on active markets for identical assets or liabilities.

Level 2 – Input data other than listed prices that are observable for the asset or liability, either directly, such as by prices, or indirectly, such as derived prices.

Level 3 – Input data for the asset or liability not based on observable information. The applicable level is determined based on the lowest level of input data that is material to the measurement at fair value.

The instruments the Group has that are measured at fair value are comprised of unlisted holdings where no market value has been established yet. Therefore, they are recognised as cost and tested annually for impairment until a market value has been possible to determine.

Management of capital risk

The objective regarding the capital structure is to safeguard the Group's ability to continue operations in order to go on generating a return for shareholders and benefits for other stakeholders as well as maintaining an optimum capital structure to keep capital costs down.

In the same way as other companies in the industry, Ayima assesses the capital on the basis of the debt/equity ratio. This key performance indicator is calculated as the net debt divided by total capital. Net debt is calculated as total borrowings (comprising the items Current and Non-current borrowings on the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as Equity on the consolidated balance sheet plus net debt.

As at 31 December, the debt/equity ratios were as follows:

	Group		Parent Company	
	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Other long term liabilities	26 820	–	25 967	–
Total borrowings (note 16)	11 303	5 799	–	–
Liabilities to related parties	11 173	52	11 173	–
Less: cash and cash equivalents	-3 856	-874	-373	-78
Net debt	45 440	4 977	36 768	-78
Total equity	40 485	24 887	32 443	15 376
Total capital	85 925	29 864	69 211	15 298
 Debt/equity ratio	 53%	 17%	 53%	 -1%

Financial Instruments per category

Group	Assets at fair value through the profit and loss	Financial assets held at amortised cost	Total
2018-12-31			
Assets as per balance sheet			
Financial assets	2 837	-	2 837
Trade and other receivables	-	25 193	25 193
Other receivables	-	7 755	7 755
Cash and cash equivalents	-	3 856	3 856
Total	2 837	36 804	39 641

	Other financial liabilities	Total
2018-12-31		
Liabilities as per balance sheet		
Non-current liabilities to credit institutions	636	636
Other non-current liabilities	26 820	26 820
Current liabilities to credit institutions	10 667	10 667
Trade and other payables	16 477	16 477
Loans from related parties	11 173	11 173
Other liabilities	6 327	6 327
Total	72 101	72 101

Group	Assets at fair value through the profit and loss	Financial assets held at amortised cost	Total
2017-12-31			
Assets as per balance sheet			
Financial assets	2 776	-	2 776
Trade and other receivables	-	16 926	16 926
Other receivables	-	1 434	1 434
Cash and cash equivalents	-	874	874
Total	2 776	19 234	22 010

	Other financial liabilities	Total
2017-12-31		
Liabilities as per balance sheet		
Non-current liabilities to credit institutions	1 217	1 217
Current liabilities to credit institutions	4 582	4 582
Trade and other payables	11 379	11 379
Tax liabilities	12	12
Loans from related parties	52	52
Other liabilities	6 286	6 286
Accrued expenses	2 046	2 046
Total	25 574	25 574

Note 4 Critical estimates, judgements and errors

Estimates and assessments are evaluated on an on-going basis and are based on historical experience and other factors, including expectations regarding future events that are considered reasonable under the prevailing circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that entail a significant risk of material adjustments in the carrying amounts of assets and liabilities within the next financial year are outlined below.

Revenue recognition

Revenue is recognised according to the accounting policies set out above and is recognised depending upon the type of income. Where contracts include different elements of revenue, these elements are recognised in line with these policies, with fair values being attributed to each component part. Judgement is used in the recognition of project income.

Capitalised development expenditures

Estimates and assessments are required to distinguish the development phase in a new project from the research phase, and to ensure that the capitalisation criteria are met for capitalised development expenditures. Ayima also makes continuous assessments of the value of capitalised expenditures linked to development work. The most critical assumption, which was subject to assessment by management, is if capitalised expenditures will generate future financial benefits that as a minimum match the capitalisation made. At the closing date, it is management's assessment that future cash flows will cover investments made with a margin, which is why there are no impairment requirements. Refer to note 9 for book value of capitalised development expenditures.

Impairment testing of goodwill

The Group annually tests whether there are any impairment requirements for goodwill, in accordance with the accounting policy described in Note 2.7 Impairment of non-financial assets. The recoverable amounts have been determined through a calculation of value in use. For these calculations, certain estimates must be made; these estimates are presented by Note 9 where the carrying amounts at the closing date are also presented. The business plan prepared for the upcoming year forms the basis for the assessment.

Accounting of deferred tax assets

Deferred tax assets relate to temporary differences and loss carry-forwards and are only recognised insofar as it is deemed that they will be able to be used against surpluses generated in operations in the future. The Group's deferred tax assets largely consist of capitalised tax assets on loss carry-forwards. The carrying amount of this tax asset is reviewed at least once a year. In such a review, the tax asset is put in relation to future taxable profits, which is based on management's estimates on the basis of, among other things, forecasts and strategic plans. See Note 8 for more information on deferred taxes.

Fair Value of unlisted investments

Unlisted investments require an impairment review each year which is based on a review of expected performance over a 5 year period discounted to present value using an appropriate discount rate. Both areas therefore require judgement to be applied in reaching an impairment decision.

Share based payment

Amounts are recognised within these accounts in relation to share options issued to employees which have not yet been vested. Judgement is therefore required in arriving at the fair value of the option programs at the time the options are granted which is determined using the Black-Scholes pricing model.

Note 4 Critical estimates, assessments in the application of the Group's accounting principles and errors, cont.

Correction of errors

On 31 January 2017, Ayima Group AB (publ) acquired all shares in the British company Ayima Holdings Limited. After the transaction, the sellers were majority shareholders of the Parent Company, hence the acquisition was recognised as a reversed acquisition. Payment of the purchase consideration for the participations in Ayima Holdings Limited was made through an issue in kind where the seller received 3,500,000 shares in Ayima Group AB (publ). This means that Ayima Holdings Limited is seen as the accounting acquirer and Ayima Group AB (publ) as the acquired company, although legally it is the opposite.

As no operations were conducted in the Parent Company at the time of the acquisition the company does not constitute a business and should not be accounted for as a Business combination. Instead it should be accounted for as an asset acquisition in which no goodwill is recognised. In previously published reports, goodwill has been recognised as a result of the reversed acquisition.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Balance sheet (extract)	Group		
	2017-12-31	Increase/decrease	2017-12-31 restated
Goodwill	60 118	-21 448	38 670
Total assets	141 658	-21 448	120 210
Other paid in capital	56 046	-21 448	34 598
Total equity	61 933	-21 448	40 485
Total equity and liabilities	141 658	-21 448	120 210

The adjustment has no effect on the income statement.

Note 5 Segment information

Ayima monitors revenues by service category. For the Group as a whole, earnings are followed up at the EBITDA level.

Revenues are also monitored by geography, for which separate disclosures have been provided below.

Assets and liabilities are only monitored for the Group as a whole. The Group has three customers that represent more than 10% of the total revenues (15% in Paid Media, 11% in Paid Media and 10% in all services, respectively).

Revenue within the Group relate to sales of services

Segment information for 2018

	SEO	Paid	Content & Creative	Data & Analytics	Other	Total
Segments' total revenue	85 247	85 092	8 425	3 434	786	182 983
Selling expenses	-10 810	-73 855	-29	-527	-171	-85 391
Gross margin	74 437	11 237	8 396	3 961	956	97 592

Segment information for 2017

	SEO	Paid	Content & Creative	Data & Analytics	Other	Total
Segments' total revenue	59 498	60 313	7 980	–	1 700	129 491
Selling expenses	-9 931	-50 079	-783	–	–	-60 793
Gross margin	49 567	10 234	7 197	–	1 700	68 698

Revenues by geographic market as follows

	2018-01-01 2018-12-31	2017-01-01 2017-12-31
Group		
United Kingdom	127 309	90 254
North America	55 343	38 510
Europe	331	727
Total revenues by geographic market	182 983	129 491

Note 6 Audit fees

Audit assignment refers to the statutory audit of the annual report and consolidated financial statements and the book keeping, the management by the Board and CEO, as well as the audit and other examinations done in accordance with agreement or contract. It also includes other tasks incumbent on the company's auditors, as well as advice or other assistance arising from observations made during the audit or while performing such other tasks. Other audit assignments refer to quality assurance services, examinations that lead to a report or certificate also intended for others than the client, such as a review of an interim report.

	2018-01-01 2018-12-31	2017-01-01 2017-12-31
Group		
Audit assignments	1 142	294
Other audit related assignments	–	247
Tax advisory services	–	62
Other advisory assignments	425	257
Total	1 566	860

	2017-01-03 2017-12-31	2016-01-01 2016-12-31
Parent company		
Audit assignments	399	183
Other audit related assignments	–	21
Tax advisory services	–	16
Other advisory assignments	–	5
Total	399	225

Note 7 Employee benefits and disclosures on staff

Group	2018-01-01 2018-12-31	2017-01-01 2017-12-31
Salaries and benefits	64 937	54 238
Social security expenses	5 642	4 130
Share options granted to employees	1 487	–
Pension expenses - defined benefit plan	2 246	1 405
Total	74 312	59 773

The Parent Company did not have any employees or employee benefit expenses during the financial year

Group	2018-01-01 2018-12-31	Social security expenses incl. pension expenses	2017-01-01 2017-12-31	Social security expenses incl. pension expenses
Board members, CEO and other senior executives	4 301	520	4 210	504
Other employees (of which share options)	62 123 1 487	7 368 –	50 028 –	5 031 –
Total	66 424	7 888	54 238	5 535

	2018-01-01 2018-12-31	Of which men:	2017-01-01 2017-12-31	Of which men:
Parent company				
Sweden	–	–	–	–
Total	–	–	–	–
Subsidiaries				
United Kingdom	75	64%	69	60%
USA	19	40%	15	45%
Canada	13	46%	10	40%
Total in subsidiaries	107	57%	94	55%
Total in Group	107	57%	94	55%

Note 7 Employee benefits and disclosures on staff, cont.

Gender distribution of Board members and other senior executives

	2018-01-01 2018-12-31 Number on closing date	Of which men:	2017-01-01 2017-12-31 Number on closing date	Of which men:
Group				
Board members	4	100,0%	5	100%
CEO and other senior executives	4	100,0%	3	100%
Group total	8	100%	8	100%
Parent company				
Board members	4	100,0%	5	100%
CEO and other senior executives	1	100%	1	100%
Parent company total	5	100%	6	–

CEO Instructions:

The CEO shall ensure that the company's accounts are maintained in accordance with the law and that the management is conducted in a satisfactory manner and ensure that, business conducted within the company complies with the relevant articles of association. The task includes the right to decide on all matters concerning the company's business, which is not decided the Board, except as specified below.

- The CEO may not enter into an agreement on the purchase or sale of real estate by companies or businesses
- The CEO may not withdraw mortgages or any property from the business
- The CEO cannot make decisions about investments or similar commitments exceeding SEK 50,000

Notice period 3 months The CEO does not contribute to or receive any pension benefits from the company pension scheme.

Share options

The Group operate a share option scheme for certain employees within the Group. Options are exercisable at a price defined by the individual option agreements. The options have a range of vesting periods and options are generally forfeited if the employee leaves the Group before the options vest, however, this is at the discretion of the board. All options are in relation to equity holdings in the ultimate holding company, Ayima Group AB, however the cost of such options is accounted for within Ayima Limited as this is where the employees taking part in the scheme are employed.

On the balance sheet date, Ayima Group AB had 249,462 stock options outstanding (2017: Nil), representing 4% of shares and 3% of votes. The weighted average exercise price of outstanding stock options was SEK 1 (2017: Nil). The weighted average remaining contractual life of share options outstanding at 31st December 2018 was 3 years & 5 months. The exercise price is set at SEK 1. All share options were issued during the year and as at 31st December 2018 23,085 had been forfeited, 0 cancelled and 0 exercised.

The fair value of option programs is determined at the time the options are granted and is recorded as an expense in the profit/loss during the period of inception. The fair value is determined using the BlackScholes pricing model.

Note 8 Tax

	Group		Parent Company	
	2018-01-01	2017-01-01	2018-01-01	2017-01-01
	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Current tax for the year	2 284	1 883	–	–
Deferred tax for temporary differences	862	630	–	–
Deferred tax for capitalised tax loss carry-forwards	–	4 253	–	–
Total tax on profit for the year	3 146	6 767	–	–

Differences between reported tax expense and calculated tax expense based on the applicable tax rate are as follows:

	Group		Parent Company	
	2018-01-01	2017-01-01	2017-01-03	2017-01-01
	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Profit/loss before tax	-10 295	-17 487	-4 960	-859
Income tax calculated at current tax rate*	2 013	3 386	1 091	189
Non-deductible expenses	-900	-130	-1 053	–
Deductible expenses, not booked	3 034	3 066	–	330
Capitalisation of loss carry forwards not yet recognised	–	1 936	–	–
Tax loss carry-forwards for which no deferred tax asset was recognised	-619	-1 050	-38	-519
Utilisation of tax losses carry forwards not previously recognised	–	28	–	–
Foreign tax	-148	-2	–	–
Effect of changed tax rates	-172	-468	–	–
Income tax	3 146	6 767	–	–

* For 2017, the prevailing tax rate in the UK of 19.00% was used for the Ayima Holdings Limited Group, and 22% for the Swedish units. For 2017, the tax rate prevailing in the UK at the time was 19,25%.

Deductible expenses not booked for both 2017 and 2018 refer to items linked to R&D ('*Research and development enhanced deduction*' and '*R&D tax credit*') and depreciation on investments made ('*Capital allowances in excess of depreciation*') that are deductible under British tax rules but are not booked in profit or loss. *R&D tax credit*, a total amount of kSEK 2 308 (1 905) is booked as a current tax asset as the amount is expected to be recovered from the tax authorities within one year.

Note 8 Tax, cont.

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group's accumulated tax loss carry-forwards amount to:

Group		Parent Company	
2018-01-01	2017-01-01	2018-01-01	2017-01-01
2018-12-31	2017-12-31	2018-12-31	2017-12-31
5 441	4 814	555	519

There are no time limitations on loss carry-forwards in 2017 or 2018.

The tax effect of loss carry-forwards is only taken up insofar as there are convincing factors that indicate that they can be utilised in the near future. A history of losses is a factor against measuring the loss carry-forwards. In addition to this, loss carry-forwards were measured insofar as there are also deferred tax liabilities that can be set off against loss carry-forwards.

Group	2018-01-01	2017-01-01
	2018-12-31	2017-12-31
Deferred tax liabilities		
Tangible assets	–	282
Derivative financial instruments	1 849	–
Total deferred tax liabilities	1 849	282
Deferred tax assets		
Loss carry-forwards	4 876	4 298
Share option scheme	277	–
Total deferred tax assets	4 887	4 298
Deferred tax, net	3 038	4 016

Deferred taxes are allocated as follows:

Group	2018-01-01	2017-01-01
	2018-12-31	2017-12-31
Deferred tax liabilities		
- Deferred tax liabilities to be used after more than 12 months	1 657	282
- Deferred tax liabilities to be used within 12 months	191	–
Total deferred tax liabilities	1 849	282
Deferred tax assets		
- deferred tax assets expected to be utilised after more than 12 months	4 887	1 594
- deferred tax assets expected to be utilised within 12 months	–	2 704
Total deferred tax assets	4 887	4 298
Net deferred tax	3 038	4 016

Note 8 Tax, cont.

The net change with regard to deferred tax is as follows:

Group	2018-01-01	2017-01-01
	2018-12-31	2017-12-31
At the beginning of the year	4 016	-957
Recognised in profit or loss	862	4 884
Exchange-rate differences	72	90
At year-end	3 038	4 016

Note 9 Intangible assets

Goodwill

	Group	
	2018-12-31	2017-12-31
Opening acquisition cost	1 171	1 532
Acquired in business combinations	38 004	811
Divestment	–	-568
Exchange-rate differences	-505	-74
Closing accumulated acquisition cost	39 201	1 701
Opening impairment losses	-531	–
Impairment losses/reversals for the year	–	-531
Closing accumulated impairment losses	-531	-531
Closing book value	38 670	1 171

Amounts disclosed are after the restatement for the correction of the error disclosed in note 4.

Note 9 Intangible assets, cont.

Significant assumptions were used for the value-in-use calculations:

2018-12-31

Growth rate 1)	2 %
Discount rate 2)	14,2 %

1) Weighted average growth rate used to extrapolate cash flows beyond the budget period.

2) Discount rate after tax used in the present value calculation of estimated future cash flows.

The underlying assumptions were as follows:

1. Revenue increase year on year at 10%, this is within expectations (last year was 30%-40% on average)
2. Cost of sales will reduce in 2019 increasing margins to 67% which will be maintained in future years, increased efficiency and automation through our in-house developed software tools will contribute to the increased margins.
3. Operating expenses will increase by an average of 7% year on year. Cost savings have been implemented in Q1 2019 which will save the business approximately 7MSEK per annum after associated exceptional costs.
4. Loans will be repaid in the year from working capital without the need for refinancing, therefore interest costs will reduce from next year.
5. Tax losses brought forward will be used against any potential future tax liabilities. R&D tax credits will also minimise any tax liabilities in future years.

Ayima annually tests whether there are any impairment requirements for goodwill, in accordance with the accounting policy described in Note 2.7 Impairment of non-financial assets.

Recoverable amount has been established through the calculation of value in use, which is based on discounted future cash flows. These calculations require the use of certain estimates. The discounted cash flows are based on the budget for 2019 and forecasts for 2020-2023. Beyond the forecast period, the starting point was a growth rate of 2 percent per year. No impairment requirement was identified.

Goodwill capitalised during the year is attributable to the acquisition of LeapThree Limited. Also see Note 21 Business combinations.

Note 9 Intangible assets, cont.

Capitalised development expenditures

	Group	
	2018-12-31	2017-12-31
Opening cost	8 465	4 457
Capitalised assets for the year	5 949	4 146
Exchange-rate differences	186	-138
Closing accumulated cost	14 600	8 465
Closing accumulated amortisation	–	–
Closing book value	14 600	8 465

Customer contracts

	Group	
	2018-12-31	2017-12-31
Opening cost	6 013	6 276
Increase through business combinations	11 403	–
Exchange-rate differences	-41	-264
Closing accumulated cost	17 375	6 013
Opening amortisation	-851	–
Amortisation for the year	-1 273	-851
Exchange differences	19	–
Closing accumulated amortisation	-2 105	-851
Closing book value	15 269	5 161

Opening cost of Customer contracts are attributable to the asset acquisition of Quickthink Media Limited in 2016 where, in addition to the customer portfolio, the workforce was acquired. Increase in the year relates to the acquisition of LeapThree.

Other intangible assets

	Group	
	2018-12-31	2017-12-31
Opening cost	647	650
Exchange-rate differences	2	-3
Closing accumulated cost	649	647
Opening amortisation	-573	-566
Amortisation for the year	-5	-7
Closing accumulated amortisation	-578	-573
Closing book value	71	74

Note 10 Tangible assets

Equipment, tools, fixtures and fittings

Group	2018-12-31	2017-12-31
Opening cost	9 093	8 636
Purchases	795	585
Sales and disposals	-2 514	-20
Acquired in business combinations	36	–
Reclassifications	–	-6
Exchange-rate differences	132	-102
Closing accumulated cost	7 541	9 093
Opening depreciation	-7 158	-6 120
Sales and disposals	2 503	18
Depreciation for the year	-1 024	-1 057
Reclassifications	–	2
Closing accumulated depreciation	-5 848	-7 158
Closing book value	1 693	1 935

Cost of improvements on external properties

Group	2018-12-31	2017-12-31
Opening cost	1 766	1 726
Purchases	473	100
Exchange-rate differences	-85	-60
Closing accumulated cost	2 154	1 766
Opening depreciation	-596	-424
Depreciation for the year	-179	-172
Closing accumulated depreciation	-775	-596
Closing book value	1 379	1 170

Note 11 Financial assets

Group	2018-12-31	2017-12-31
At the beginning of the year	2 776	2 894
Exchange-rate differences	61	-118
Closing book value	2 837	2 776

Purchases in 2016 relate to holdings of 15% in an unlisted e-commerce company, Tootsa MacGinty Limited, which is registered in Scotland. The holding is measured at fair value through profit or loss in accordance with IFRS 9. Due to the company's niche business, no market value has yet been able to be determined, which is why the holding is recognised at cost and annually tested for impairment until a market value has been able to be determined.

Note 12 Trade receivables

The fair value of the Group's trade receivables matches the carrying amount. At the closing date, there were no overdue trade receivables.

Group	2018-12-31	2017-12-31
Trade receivables	25 237	16 926
Less: Reserve for doubtful receivables	-44	–
Trade receivables - net	25 193	16 926

Trade receivables per currency

Group	2018-12-31	2017-12-31
SEK	14	138
USD	9 276	5 947
EUR	632	296
GBP	13 386	10 254
Other currencies	1 885	292
	25 193	16 926

Note 13 Other receivables

	Group		Parent Company	
	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Tax account	505	247	505	247
Receivable from employees	501	239	–	–
Deposits	2 958	2 817	–	–
VAT receivable	143	84	138	47
Other receivables	1 161	105	–	–
Receivable from associated company	2 487	1 822	–	–
Total other receivables	7 755	5 315	643	294

Note 14 Prepaid expenses and accrued income

	Group		Parent Company	
	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Prepaid rent	743	750	–	–
Prepaid insurance	302	239	–	–
Accrued income	191	189	–	–
Other	456	255	10	55
Total prepaid expenses and accrued income	1 693	1 434	10	55

Note 15 Share capital and other capital contributions

Specification of changes in equity can be found in the statement of changes in equity, which is immediately after the balance sheet.

Parent Company	Number of shares	Ordinary share capital (SEK)	Other paid in capital (SEK)	Total
At 1 January 2017				
Registration company	50 000	50 000		50 000
New share issue	950 000	950 000	–	950 000
New share issue	200 000	200 000	1 800 000	2 000 000
Issue in kind	3 500 000	3 500 000	–	3 500 000
New share issue, net after issue expenses	535 000	535 000	9 200 060	9 735 060
At 31 december 2017	5 235 000	5 235 000	11 000 060	16 235 060
At 1 January 2018				
	5 235 000	5 235 000	11 000 060	16 235 060
New share issue	811 462	811 462	19 718 527	20 529 989
At 31 december 2018	6 046 462	6 046 462	30 718 587	36 765 049

The shares have a quotient value of SEK 1 per share. 226 800 shares are Class A shares, which have a voting value of 10/ compared with the 5 819 662 Class B shares. All shares registered at the closing date were fully paid-up.

Proposed appropriation of earnings at the 2019 AGM

The Board of Directors proposes that the unappropriated earnings as at 31 December 2018, SEK 26 396 927, be carried forward.

Note 16 Borrowings & Other long-term liabilities

Group	2018-12-31	2017-12-31
Non-current		
Borrowings, other	636	1 217
Other long term liabilities	26 820	–
	27 457	1 217
Current		
Borrowings, factoring	10 079	4 027
Borrowings, other	587	555
Other interest-bearing liabilities	11 173	52
	21 840	4 634
Total borrowings	49 296	5 851

The Group's borrowings are comprised of factoring of trade receivables. The Group's other borrowings pertain to a loan from Funding Circle. This is to be repaid over four years and was raised in January 2017. Also refer to Note 3 for the description of contractual undiscounted cash flows. Other long term liabilities relates to earn-out in the acquisition of LeapThree. At acquisition date this is discounted, an unwind is booked annually at a discount rate of 13,8%. Other interest-bearing liabilities relates to a loan from the fund *Ayima Employee Benefit Trust 2011* amounting to MSEK 2.5, see note 22, and short term liabilities from a small group of investors amounting to MSEK 8m.

The movements in the Group's borrowings for the year was as follows:

Group	2018-12-31	2017-12-31
Opening balance	5 851	3 298
Instalments	-2 587	–
New loans for the year	18 464	2 686
Acquired in business combinations	26 323	–
Unwind of discount, earn out	853	–
Accrued interest	621	–
Exchange-rate differences	-228	-134
Closing balance	49 296	5 851

The Group's borrowings are distributed over the following currencies:

	2018-12-31	2017-12-31
SEK	11 173	52
GBP	38 123	5 799
	49 296	5 851

The loan from Funding Circle runs with a fixed interest of 7%. The short-term borrowings run with a fixed interest rate of 12% and the loan from *Ayima Employee Benefit Trust 2011* runs with a fixed interest rate of 4%. The fair value of the Group's borrowings is deemed to essentially match the book value as the borrowings from factoring are current by nature, and the effect of applying the effective interest method for the loan from Funding Circle and the short-term borrowings is considered insignificant.

Note 17 Other liabilities

	Group	
	2018-12-31	2017-12-31
VAT liabilities	1 496	1 115
Liability to credit card companies	2 160	2 649
Employee-related liabilities	2 523	2 470
Other	148	52
Total other liabilities	6 327	6 286

Note 18 Deferred income and accrued expenses

	Group	
	2018-12-31	2017-12-31
Social security expenses	93	–
Other employee-related items	88	–
Consulting fees	–	35
Auditing and accounting	236	307
Deferred income	3 264	760
Other	2 095	1 704
Total accrued expenses and deferred income	5 776	2 807

Note 19 Pledged assets and contingent liabilities

Neither in the Group nor the Parent Company were there any pledged assets and contingent liabilities as at 31 December 2018 or 31 December 2017.

Note 20 Commitments

Commitments for operating leases

Commitments for operating leases below pertain in their entirety to premises rent.

Future leasing fees for non-cancellable operating leases, fall due for payment as follows:

	Group		Parent Company	
	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Within one year	7 875	5 325	–	–
After one year but within five years	10 939	7 775	–	–
Later than five years	–	–	–	–
	18 814	13 100	–	–

Costs for operating leases amounted to kSEK 6 008 (6 133) during the financial year.

Note 21 Business combinations

Business combinations in 2018

On 2018-07-31 Ayima signed the Share Purchase Agreement (SPA) to acquire 100% of the share capital in LeapThree Limited, a leading UK-based Digital Analytics and Conversion Rate Optimisation agency. The initial purchase price was GBP2.175M (25 MSEK), and consideration was completed through the issue of 26 800 A shares and 784 662 B Shares along with payment to the sellers of cash consideration of GBP 400K (SEK 4.6M approx). Ayima completed the acquisition of LeapThree Limited on 2018-09-17. In their most recent Financial Year, LeapThree Limited achieved profit before taxation of 4.8 MSEK on turnover of 9.25 MSEK. The deal also includes provisions for an earn-out that will provide a strong incentive for profit growth in the following three years. Transaction related expenses amounted to SEK 486k.

		LeapThree Limited
Group		2018-09-17
Purchase consideration		
- Paid purchase consideration at the acquisition date		4 601
- Additional purchase consideration		26 323
- Payment with equity instruments		20 419
Total purchase consideration		51 342
Assets and liabilities as a result of the acquisition are as follows:		LeapThree Limited
Cash and cash equivalent		6 058
Customer contracts		11 403
Tangible assets		39
Trade receivables and other receivables		1 277
Current tax liability		-877
Deferred taxes		-2 167
Trade payables and other liabilities		-2 623
Fair value of net assets		13 110
Non-controlling interests		-
Goodwill		38 232
Acquired net assets		51 342
		2018
Paid purchase consideration at the acquisition date		4 601
Cash in acquired company		-6 058
Net, cash flow		-1 457

Note 21 Business combinations, cont.

Business combinations in 2017

Reversed acquisition of Ayima Holdings Limited

On 31 January 2017, Ayima Group AB (publ) acquired all shares in the British company Ayima Holdings Limited. After the transaction, the sellers were majority shareholders of the Parent Company, hence the acquisition was recognised as a reversed acquisition. This means that Ayima Holdings Limited is seen as the accounting acquirer and Ayima Group AB (publ) as the acquired company, although legally it is the opposite. Payment of the purchase consideration for the participations in Ayima Holdings Limited was made through an issue in kind where the seller received 3,500,000 shares in Ayima Group AB (publ).

As no operations were conducted in the Parent Company at the time of the acquisition the transaction is considered an asset acquisition rather than a business combination, why no goodwill is recognised.

In the consolidated financial statements, Ayima Holdings Limited is included for full 2017. The Parent Company Ayima Group AB (publ) is included as of the acquisition date on 31 January 2017.

See also note 4 disclosing restatement for the correction of errors.

Ayima Nordic AB

On 31 January 2017, Ayima Group AB (publ) acquired 51% of the shares in Ayima Nordic AB, which was previously owned by Ayima Holdings Limited. The same day, the minority share (49%) of the shares was acquired, which means that it is now a wholly owned subsidiary. According to IFRS 3, an acquisition estimate is to be prepared at the time the acquirer receives a majority of the shares in the acquired company; subsequent transactions that mean that the participation increases are treated as a transaction with the minority over equity.

If the acquisition of Ayima Nordic AB had been carried out on 1 January 2017, the income in the consolidated financial statements would have been kSEK 142 higher and the net profit/loss would have been kSEK 70 higher.

A description of acquired net assets and the effect on the consolidated financial statements is provided below.

Note 21 Business combinations, cont.

Information on acquired net assets and goodwill:

	2017	2017
	Ayima Group AB (publ)	Ayima Nordic AB
Group	31 Jan 2017	31 Jan 2017
Purchase consideration		
- Paid purchase consideration at the acquisition date	-	26
- Additional purchase consideration	-	-
- Payment with equity instruments*	-	-
Total purchase consideration	-	26

Assets and liabilities as a result of the acquisition are as follows:

	Ayima Group AB (publ)	Ayima Nordic AB
Acquired book value		
Cash and cash equivalents	3,039	270
Trade receivables and other receivables	-	185
Trade payables and other liabilities	-50	-1,217
Fair value of net assets	2,989	-761
Non-controlling interests	-	-25
Goodwill	-	811
Acquired net assets	2,989	26

*Business combinations in 2017 have not given rise to any net outflow of cash and cash equivalents as payment was made with equity instruments for the acquisition of Ayima Holdings Limited. Payment for the acquisition of Ayima Nordic was made to the former owner Ayima Holdings Limited, which is a wholly owned Group company as of the end of 2017, and no cash or cash equivalents thereby left the Group.

Note 22 Related-party transactions

Besides remuneration of the Board and management, the Group provides various services to *Gaming Realms PLC*, which is a shareholder in Ayima Group AB and was previously the owner of *Quickthink Media Limited*. All services provided to Gaming Realms took place at arm's length. The total value of transactions in 2018 for SEO, Paid Media, Content and Creative was SEK 18,652 thousand.

An interest-free loan was made to *Tootsa MacGinty Limited* in an amount of MSEK 2.5. Ayima owns 15% of the company. The loan is to be paid back upon request.

At the beginning of 2018, the Group raised a loan from the fund *Ayima Employee Benefit Trust 2011*, which is a shareholder in Ayima Group AB, and is managed by Michael Nott and Timothy Webb. The loan initially runs for one year and amounts to MSEK 2.5 with the following terms:

- Interest of 4% per year to be paid quarterly
- The loan can be converted to equity after 30 days, either in whole or in full, although not in a smaller amount than MSEK 1.
- Conversion to shares will take place with a 15% discount from the weighted average price of the past 10 days of trade.
- 90 days' notification is required if the lender wants repayment at the end of the loan period.

Note 23 Participations in Group companies

Parent company	2018-12-31	2017-12-31
Opening book value	3 526	–
Investments	2 297	3 526
Closing book value	5 822	3 526

Parent Company holds participations in the following subsidiaries:

Name	Corp.ID.no.	Domicile	% equity and votes	Number of participations	Carrying amount 2018-12-31
Ayima Holdings Limited	10353201	London	100%	10,404	4 980
Ayima Nordic AB	556876-7510	Stockholm	100%	1,000	842
					5 822

Ayima Holdings Limited is a holding company and Ayima Nordic AB is a trading company.

Note 23 Participations in Group companies, cont.

The Parent Company's subsidiaries hold shares in the following subsidiaries.

Name	Corp.ID.no.	Domicile	% equity and votes	Description
Ayima Limited	04886539	London	100%	Main trading company
Ayima Creative Limited	06680571	Essex	100%	Trading company
Ayima Inc	5153683-8300	Wilmington	100%	Trading company
Ayima Canada Inc	BC1047234	Vancouver	100%	Trading company
Rankers Limited	07096025	London	100%	Dormant company
Quickthink Media Limited	06703793	London	100%	Trading company
Bet Rank Limited	11431730	London	100%	Trading company
Leapthree Limited	10191467	London	100%	Trading company

The assets and liabilities of Quickthink Media Limited were acquired in 2016 and then all shares in the company were acquired in 2017 by Ayima Limited. In 2018 all shares in LeapThree Limited was acquired. Ayima Holdings Limited registered a new subsidiary undertaking Bet Rank Limited on 2018-06-25.

Note 24 Events after the closing date

Strong growth has put pressure on the available working capital. The company has made the decision to hasten the return to positive result and cashflow by undertaking some restructuring during Q1 of 2019. Restructuring will result in the disbandment of one unprofitable business unit and other headcount reductions in managerial and administrative areas. Operations will remain largely untouched and there is not expected to be any negative impact on revenue, growth or operational effectiveness. The restructuring will result in approximately 10MSEK of annual cost savings, the net impact on the full year of 2019 is expected to be approximately 7M after exceptional costs. Overall the main financial objective of the company remains growth over margin, however it is recognised that the company needs to return to positive cashflow in order to support the continued investment in growth.

On 2019-03-27 Ayima issued a notice of an EGM to be held on 2019-04-16. The agenda for the meeting includes the draft resolution upon an issue of up to 969,943 shares of series B, resulting in an increase of the share capital by no more than SEK 969,943.00 or approximately 13.6 MSEK. . The Board of Directors further proposes that the EGM resolves upon an issue of up to 969,943 warrants of series TO1, entitling to subscription of 484,971 shares of series B in the Company, whereby the share capital may increase by no more than SEK 484,971.00 using the issued warrants of series TO1. The share capital may increase by no more than SEK 1,454,914.00 upon full subscription of the shares of series B and full utilization of the issued warrants of series TO1. The planned rights issue of around 13.6 MSEK aims to strengthen the Company's balance sheet, enable potential acquisitions and invest in the Company's future growth to capitalize on the strong underlying market development.

Signatures

The consolidated income statement and balance sheet will be submitted to the Annual General Meeting on June 10, 2019 for adoption.

Stockholm, April 25, 2019

Michael Nott
Chairman of the Board

Michael Jacobson
Board Member and CEO

Björn Mannerqvist
Board Member

Mark Segal
Board Member

Timothy Webb
Board Member

Our audit report was submitted on April 25, 2019
BDO Sweden AB

Niclas Nordström
Authorised Public Accountant

AUDITOR'S REPORT (TRANSLATION)

To the general meeting of the shareholders of Ayima Group AB (publ)
Corporate identity number 559095-9291

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Ayima Group AB (publ) for the year 2018.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other matter

The audit of the annual accounts and consolidated accounts for the year 2017-01-03 -- 2017-12-31 was performed by another auditor who's engagement was prematurely terminated and who submitted an auditor's report dated 9 April 2018, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

The following documents are attached to the audit report:

- Copy of the former auditor's report according to Chapter 9 § 23 of the Companies Act.
- Copies of notifications according to Chapter 9. 23 a § of the Companies Act.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

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

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Ayima Group AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm den 25 april 2019

BDO Sweden AB

Niclas Nordström