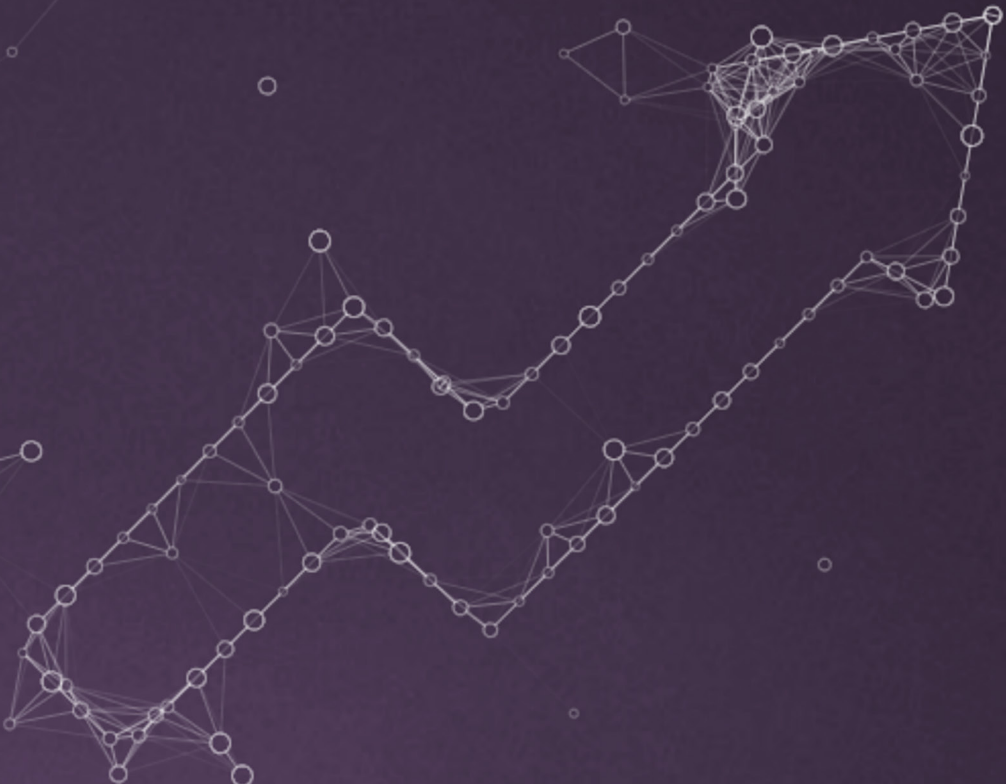
Ayima Group AB (publ)

Corp. ID no. 559095-9291

ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

FOR

THE FINANCIAL YEAR 2019



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 12 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 168.5 MSEK (183.0) a decrease of 8% from 2018.
- Gross Profit amounted to 114.9 MSEK (97.6) an increase of 18% from the same period in 2018.
- EBITDA amounted to 12.5 MSEK (-2.6) an improvement of 15.1 MSEK from 2018
- Total Comprehensive Income (after tax and exceptional items) amounted to -0.3 MSEK (-6.4)
- Balance Sheet assets amounted to 131.3 MSEK (120.2)
- Net cash increased by 1.7 MSEK in the period to 5.5 MSEK
- Earnings per share was -0.75 SEK (-1.31) in the period. Earnings per share after dilution amounted to -0.75 SEK (-1.31)

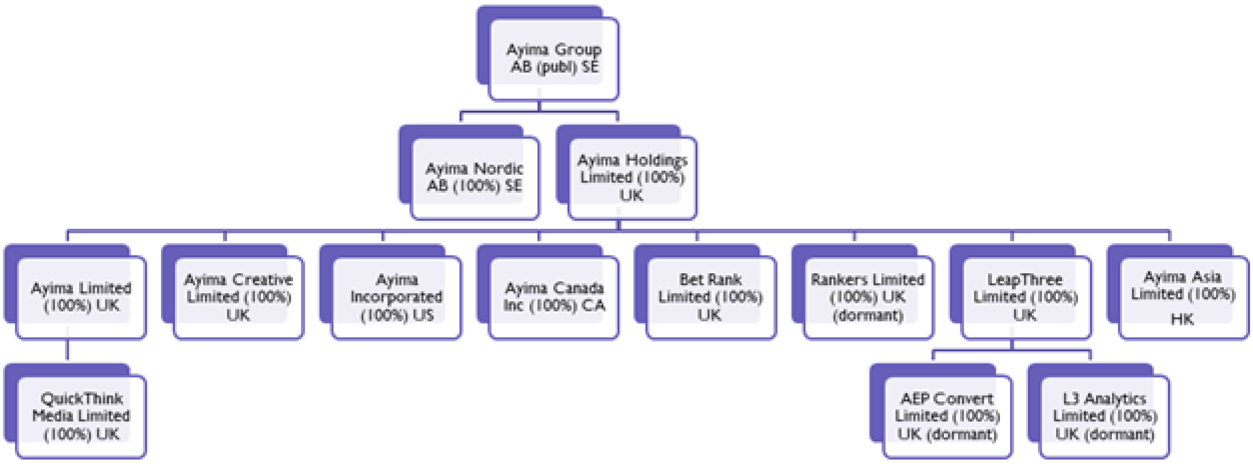
Operating highlights

- Increased margins showing success of growth strategy to focus on higher margin services.
- New subsidiary Ayima Asia Limited registered on 2019-03-08 and began trading in September 2019.
- Rights issue completed raising over 10 MSEK in funding to repay existing debt and provide additional working capital.
- Directed share issue of 178 571 “B” shares was completed in June 2019 to repay the loan of 2.5 MSEK from the Ayima Employee Benefit Trust 2011 (EBT) which was taken in February 2018.

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 Limited owns QuickThink Media Limited which it acquired in 2016. LeapThree Limited owns two dormant subsidiaries AEP Convert Limited and L3 Analytics Limited, both are included in the chart below. On 2019-03-08 Ayima Holdings Limited registered a new subsidiary company in Hong Kong, Ayima Asia Limited. The group structure is outlined below.

The parent company currently operates as a 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 webpages. 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	
	2019-01-01	2018-01-01	2019-01-01	2018-01-01
KEY RATIOS	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Amounts in kSEK				
Result				
Revenue	168 530	182 983	1 120	2 587
Operating profit/loss	29	-7 659	-583	920
Profit/loss for the period	-4 908	-7 148	8 379	-4 960
Financial position				
Total assets	131 348	120 210	77 710	70 166
Equity	53 565	40 485	54 154	32 443
Equity ratio, %	41%	34%	70%	46%

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

Reconciliation of EBITDA to Operating profit
Amounts in M SEK

	2019	2018
Operating Profit (EBIT)	0	-7.7
Depreciation and Amortisation	9.6	2.5
Exceptional items	2.9	2.6
EBITDA	12.5	-2.6

Significant circumstances and events

In early 2019 the board took the decision to restructure certain parts of the business in order to ensure a return to positive cashflow. The restructure involved the discontinuation of the Design and Development channel, which had been unprofitable and struggling to grow. The company sought to reduce headcounts in non-operational areas of the business.
The restructuring was carried out and completed in Q1, 2019 and resulted in cost savings of between 9 MSEK and 10 MSEK annually. There were some exceptional charges related to the restructure in Q1, but the net positive financial impact for the rest of the year was approximately 7 MSEK.

On 2019-03-08 Ayima Holdings registered a new subsidiary, Ayima Asia Limited based in Hong Kong. The company began trading in September 2019 expanding Ayima's reach to new Asian markets.

A Rights Issue was announced on 2019-03-29 and confirmed at the Extraordinary General Meeting held on 2019-04-16 by unanimous resolution. A total of 824 451 new B Shares were issued as part of the Rights Issue completed in May 2019. All of the new issues were successfully registered at Bolagsverket and admitted to trading on Nasdaq Stockholm during July 2019.

The new share capital of Ayima will be 6 833 539 B Shares and 226 800 A Shares

In July 2019, 178 571 new B shares were issued to the Ayima Employee Benefit Trust 2011 to repay the 2.5 MSEK loan that was taken in February 2018. The shares were issued at a value of 14 SEK per share which was based on the average traded price in the preceding 14 trading days. The Ayima Employee Benefit Trust administers the Employee Share Options Scheme and holds shares on behalf of Ayima's staff.

In May 2019, 7 staff members exercised their vested options under the Ayima Employee Options Scheme totalling 10 855 new B shares. These shares were registered at Bolagsverket during July 2019.

AGM

The annual general meeting of shareholders ("AGM") in Ayima Group AB was held on 18 June 2019, in Stockholm. The AGM resolved unanimously in accordance with the board's proposals and a summary of the resolutions taken by the AGM follows.

- The AGM resolved to adopt the income statement and balance sheet and the consolidated income statement and consolidated balance sheet.
- The AGM resolved that the result for the year shall be balanced on a new account and that no dividend shall be paid.
- The AGM resolved to discharge all individuals who had served as Board members or CEO during 2018 from liability for the administration of the company in 2018.
- The AGM resolved in favour of re-election of the board members Michael Jacobson, Michael James Nott, Timothy Webb, Mark Kevin Segal and Björn Mannerqvist. Michael James Nott was appointed chairman of the board. No deputies was elected. The remuneration for the board members shall consist of a half price base amount per year to each member who is not employed by the Company.
- BDO Sweden AB was re-elected as auditor. BDO Sweden AB has announced that it will appoint Authorised Public Accountant Niclas Nordström as chief auditor.
- The AGM resolved to authorize the board of directors to decide on one or more occasions during the period ending at the close of the next annual general meeting, to issue new shares in accordance with the board's proposal.

Ayima has an Enterprise Management Incentives (EMI) scheme. Any warrants or shares are held for the employees by the Ayima Employee Benefit Trust 2011 (EBT).

The number of warrants granted to staff in 2018 was 272 547 of which 23 085 were forfeit in 2018 and 83 384 in 2019 (106 469 total), and 10 855 were exercised and issued as shares in July, the remaining warrants will vest over the next three years to May 2022. A further 82 180 warrants were awarded to newly qualifying staff during Q2 2019, of which 9 387 were forfeit at 2019-12-31, these warrants will vest over the 4 year period to May 2023. The total number of share options forfeit in 2019 was 92 771.

Trading Update

Ayima Group AB (Publ) issued an update regarding preliminary results for Q3 and current trading for Q4 of 2019. There was a downturn in recent trading due to the temporary pause or loss of several existing clients. This was mainly due to general business uncertainty and confidence in the economy as a result of Brexit and other economic conditions, causing some advertisers to pause or cancel marketing campaigns.

In October 2019 Ayima UK successfully completed the annual ISO27001 audit and has maintained the certification until November 2020. 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.

Long term liabilities includes a contingent liability of 16.9 MSEK for the potential total earn-out payments due to the sellers of LeapThree Limited. The provision has been restated to fair value at 31 December 2019, the restatement has adjusted the total liability by 14.1 MSEK. Interest in the amount of 1.6 MSEK has been recognised along with an exchange rate variance of 2.4 MSEK due to the difference in exchange rate at the beginning and end of the financial year. The restatement is based on recalculation of the purchase price in line with current performance and updated forecast information for the remainder of the earn out period which are lower than previously expected. Usually a write down of this nature would indicate that an asset should also be impaired, however an impairment test has been carried out and an adjustment to the value in use of the investment is not required. The impairment test has been tested for sensitivity which has shown that a small variance in the discount rate or profit margin would mean an impairment of the asset would be necessary. The company will closely monitor the performance of LeapThree in the coming period. The company anticipates that an earn out payment will be payable in 2020 and 2021, at a reduced amount.

During the course of the annual review of investments and outstanding loans, Ayima has recognised a loss on an investment and a potential write down of the value of an existing loan to a related party Tootsa MacGinty Limited to the value of 5.9 MSEK. An announcement was made on 05 February 2020 regarding the impact of this write down on the results for 2019.

Events after the period

The Covid-19 pandemic has had a significant impact on the global economy in a very short period of time. The effect is expected to lead to a global recession or economic downturn in the coming months and years. Ayima's management have carried out a comprehensive risk assessment and review of the group's trading forecast as well as establishing any actions or strategies that may mitigate the risks as much as possible. These are outlined below.

Ayima's robust remote working policy has meant minimal operational impact and no interruption in services to clients while transitioning to remote working. The business continuity plan that has been in place for many years has been fully implemented successfully. Each team has been on hand to support our clients and assist as much as possible while they have made the transition to remote working, many for the first time, and client feedback is that this has been extremely helpful and very much appreciated.

Ayima's business is based in the digital world, the services offered are mainly focused on attracting customers to client's websites. With restrictions on movement now in place in the UK and around the world, now more than ever it is important for clients to ensure that their online presence is strong and that they are able to continue to attract customers and do business, albeit perhaps with a slightly altered focus.

Certain clients operate in industries that have been directly affected by the pandemic. Travel, events, hospitality, and education, have all been significantly impacted by the necessary restrictions that have been put in place by governments around the world in an attempt to curtail the spread of Covid-19. Ayima is working to ensure that it complies with all government advice as soon as it is announced and continues to work with those clients that are most affected. To date none have requested to reduce or terminate their contracts. The retail industry has also been significantly impacted by the restrictions on movement and trading, many clients are switching focus to online, but are asking to reduce budgets slightly for a limited period of time to preserve cash. The main impact on Ayima is from new clients that have had to push back contract commencement dates, or cancelled their marketing spend entirely as they reassess their budgets in light of current events. Conversely some clients are working in industries that are well placed to feel a positive impact from the change in the economic environment. More and more people are looking to online based solutions that are not affected by the restrictions, such as delivery services and online education resources, as well as healthcare and charity volunteering initiatives. Ayima counts these among its clients and is working with them to support their growth as they increase their budgets during this period. Potential clients continue to approach Ayima to work with them and the new business pipeline remains healthy.

Management have carried out a full risk assessment of all clients across the global offices and the potential impact that Covid-19 will have on their industry in general and their business in particular. The risk categories are High, Moderate and Low/No impact.

- High impact means that it is expected that the client may reduce budgets for an extended period, or terminate their contract, or not renew their contract in the coming months.
- Moderate impact means that it is expected that the client may request to reduce their budget in the short term, and return to current levels in a few months' time. It is expected that they will not terminate their contracts and they are expected to renew their contract on the anniversary of the start date.
- Low/No impact means that the clients are not expected to change their budgets, or may increase their budgets in the short to medium term. They are not expected to terminate their contract and are expected to renew on the anniversary of the start date.

The potential results of the risk assessment on projected trading results have been outlined below, the base case forecast is the latest forecast before the pandemic came to light. With median and worst case potential scenarios outlined.

‘000	Base Case	Median	Worst Case
Fee income	132 652	123 750	114 847
Gross Profit	112 192	104 440	96 689
EBITDA	15 073	11 699	8 324
Net Profit	2 367	-1 008	-4 383

The potential worst case scenario impact on income will be mitigated by some concurrent reductions in cost of sales. The group can put in place further measures to reduce costs including a reduction in staff costs through voluntary salary sacrifice or a similar arrangement. Ayima will not seek to reduce its staff as a result of the pandemic. Travel costs and other operational costs will naturally reduce due to the working from home arrangements that have already been implemented.

The UK government has recently announced several measures to support businesses to continue trading despite the economic downturn, such as £250,000 unsecured lending and the Coronavirus Business Interruption Loan Scheme (CBILS) where term loans up to £5M repayable over up to 6 years will have 80% guaranteed by the government’s British Business Bank. Ayima’s management is paying close attention to these measures and working with its banking partners and government agencies to assess what financing options may be available should they be required in the short to medium term.

Although Ayima will be affected by the economic impact of Covid-19, the board is confident that the group is well positioned to continue to grow in the coming years despite the economic downturn, albeit at a slower rate.

Future development
Looking ahead to the coming year Ayima have confirmed 15 new clients coming on board from January 2020 onward, apart from some additional costs to fund the growth strategy, there are no scheduled increases in operating costs in the coming year. The group will continue to focus on growth in higher margin services in the coming period.

The impact of the Covid-19 pandemic on the global economy may have a negative impact on the company in the short to medium term, which may result in slower rates of growth than previously expected.

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

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.

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.

Staff

Ayima have around 205 (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 2019 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.

Environment and staff

The average number of employees in the Group during the financial year was 107 (107) persons.

The company does not conduct any permit or notification activities under the Environmental Code.

Research and Development

Total capitalized costs for capitalized development expenses amounted to SEK 4 684 thousand (5 949) during the year. Research costs incurred that did not meet the criteria for capitalization were expensed totaled SEK 4 597 thousand (1 805) 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 2019-12-31	No A Shares	No B Shares	Control (%)	Capital (%)
New Equity Ventures*	-	993 264	10.9	14.1
Michael Jacobson	66 666	843 051	16.6	12.9
Michael Nott	66 667	760 837	15.7	11.7
Timothy Webb	66 667	870 837	16.9	13.3
Gaming Realms PLC**	-	347 487	3.8	4.9
Digital Spine AB***	-	16 500	0.2	0.2
Ayima EBT****	-	357 825	3.9	5.1
Michael Feiner	15 000	390 731	5.9	5.7
Peter O'Neill	11 800	338 241	5.0	5.0
Others	-	1,914,766	21.0	27.1
Total	**226 800**	**6 833 539**	**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 357 825 shares are owned by the EBT as at 31 December 2019.

The number of warrants granted to staff in 2018 was 272 547 of which 23 085 were forfeit in 2018 and 83 384 in 2019 (106 469 total), and 10 855 were exercised and issued as shares in July, the remaining warrants will vest over the next three years to May 2022. A further 82 180 warrants were awarded to newly qualifying staff during Q2 2019, of which 9 387 were forfeit at 2019-12-31, these warrants will vest over the 4 year period to May 2023. The total number of share options forfeit in 2019 was 92 771.

Proposed appropriation of earnings at the 2020 AGM

The Board of Directors proposes that the unappropriated earnings as at 31 December 2019, SEK 47 093 493, 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	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Revenue	5	168 530	182 983
Other operating income	22	14 843	58
Total		**183 373**	**183 041**
Operating expenses			
Direct expenses		-68 492	-85 391
Other external expenses	6, 21	-21 285	-27 844
Employee benefits	7	-80 993	-74 715
Depreciation and amortization Tangible and Intangible assets	10,11	-12 522	-2 488
Other operating expenses		-51	-261
Total operating expenses		**-183 343**	**-190 700**
Operating profit / loss		**29**	**-7 659**
Financial income	8	1	356
Financial expenses	8	-7 924	-2 992
Result from financial items		**-7 923**	**-2 636**
Profit/Loss before tax		**-7 893**	**-10 295**
Deferred tax	9	683	862
Income tax	9	2 302	2 284
Profit / Loss for the year		**-4 908**	**-7 148**
Profit / Loss for the year attributable to:			
Shareholders of parent company		-4 908	-7 148
Non-controlling interests		–	–
Earnings per share before dilution, SEK		-0,75	-1,31
Earnings per share after dilution, SEK		-0,75	-1,31
Average No. of shares before dilution		6 550 461	5 464 617
Average No. of shares after dilution		6 550 461	5 464 617

Consolidated statement of comprehensive income

Amounts in kSEK	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Profit/Loss for the year	**-4 908**	**-7 148**
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Translation differences in translation of foreign operations	4 657	720
Other comprehensive income for the year, net of tax	**4 657**	**720**
Total comprehensive income for the year	**-251**	**-6 429**
Total comprehensive income attributable to:		
Shareholders of parent company	-251	-6 429
Non-controlling interests	–	–

Consolidated statement of financial position

Amounts in kSEK	Note	2019-12-31	2018-12-31
ASSETS			
Non-current assets			
Goodwill	10	42 157	38 670
Capitalised development expenditures	10	20 629	14 600
Customer contracts	10	14 487	15 269
Right of use assets	21	7 361	–
Other intangible assets	10	125	71
Tangible assets	11	2 383	3 072
Financial assets	12	–	2 837
Deferred tax assets	9	5 843	4 887
Total non-current assets		**92 985**	**79 405**
Current assets			
Trade receivables	13	23 120	25 193
Current tax assets	9	2 633	2 308
Other receivables	14	4 791	7 755
Prepaid expenses and accrued income	15	2 285	1 693
Cash and cash equivalents		5 534	3 856
Total current assets		**38 363**	**40 805**
TOTAL ASSETS		**131 348**	**120 210**

Consolidated statement of financial position, cont.

Amounts in kSEK	Note	**2019-12-31**	**2018-12-31**
Equity			
Share capital	16	7 060	6 046
Other paid in capital		46 915	34 598
Reserves		4 592	-65
Retained earnings including result for the year		-5 002	-94
Total equity		**53 565**	**40 485**
LIABILITIES			
Non-current liabilities			
Borrowings	17	64	636
Liabilities for right of use assets	17	2 914	–
Other long term liabilities	17	16 824	26 820
Deferred tax liabilities	9	1 810	1 849
Total non-current liabilities		**21 612**	**29 305**
Current liabilities			
Borrowings	17	7 010	10 667
Liabilities for right of use assets	17	4 778	–
Trade payables		24 073	16 477
Liabilities to related parties		7 296	11 173
Other liabilities	18	4 894	6 327
Deferred income and accrued expenses	19	8 121	5 776
Total current liabilities		**56 172**	**50 420**
TOTAL EQUITY AND LIABILITIES		**131 348**	**120 210**

Consolidated statement of changes in equity

	Share capital	Other paid in capital	Reserves	Retained earnings including profit or loss for the year	Total	Non-controlling interests	Total equity
Balance at 2018-01-01	**5 235**	**13 383**	**-785**	**7 054**	**24 887**	**–**	**24 887**
Comprehensive income							
Profit/loss for the year				-7 148	**-7 148**		**-7 148**
Other comprehensive income							
Translation differences			720		**720**		**720**
Total comprehensive income	**–**	**–**	**720**	**-7 148**	**-6 429**	**–**	**-6 429**
Transactions with shareholders							
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 changes in equity, cont.

	Share capital	Other paid in capital	Reserves	Retained earnings including profit or loss for the year	Total	Non-controlling interests	Total equity
Opening balance as at 2019-01-01	**6 046**	**34 598**	**-65**	**-94**	**40 485**	**–**	**40 485**
Comprehensive income							
Profit/loss for the year				-4 908	**-4 908**		**-4 908**
Other comprehensive income							
Translation differences		0	4 657	0	**4 657**		**4 657**
Total comprehensive income	**–**	**0**	**4 657**	**-4 908**	**-251**	**–**	**-251**
Transactions with shareholders							
Share option scheme	11	1 312			**1 322**		**1 322**
New share issue	824	13 039			**13 864**		**13 864**
Issue expenses		-2 034			**-2 034**		**-2 034**
Convertibles, redemption	179				**179**		**179**
Total	1 014	12 317	–	–	**13 331**	–	**13 331**
Balance at 2019-12-31	**7 060**	**46 915**	**4 592**	**-5 002**	**53 565**	**–**	**53 565**

Consolidated statement of cash flows

Amounts in kSEK	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Cash flow from operating activities		
Operating profit/loss	29	-7 659
Adjustment for non-cash items		
- Depreciation and amortisation	9 560	2 488
- Share option scheme	–	1 497
- Other non-cash items	-8 559	–
Interest received	1	1
Interest paid	-2 820	-688
Tax paid	2 189	1 039
Cash flow from operating activities before change in working capital	**400**	**-3 322**
Changes in working capital		
Increase/decrease in operating receivables	4 208	-9 382
Increase/decrease in operating liabilities	6 099	5 608
Cash flow from operating activities	**10 707**	**-7 096**
Cash flow from investing activities		
Investments in intangible assets	-4 930	-5 949
Investments in tangible assets	-265	-1 268
Investments in group companies	–	1 457
Cash flow from investing activities	**-5 195**	**-5 760**
Cash flow from financing activities		
New share issue	11 542	–
Issue expenses	-2 034	–
Borrowings (note 17)	6 000	18 467
Amortisation of borrowings	-19 724	-2 587
Cash flow from financing activities	**-4 215**	**15 880**
Cash flow for the period	**1 296**	**3 023**
Cash and cash equivalents at beginning of the period	3 856	874
Exchange-rate differences in cash and cash equivalents	382	-41
Cash and cash equivalents at end of period	**5 534**	**3 856**

Parent Company income statement

Amounts in kSEK	Note	2018-01-01 2019-12-31	2018-01-01 2018-12-31
Operating income			
Revenue		1 120	2 587
Total income		**1 120**	**2 587**
Operating expenses			
Other external expenses	6	-1 582	-1 667
Total operating expenses		**-1 703**	**-1 667**
Operating profit / loss		**-583**	**920**
Profit (loss) from participations in group companies		12 812	-4 781
Other interest income and similar profit (loss) items	9	–	355
Interest expense and similar profit (loss) items	9	-3 849	-1 454
Result from financial items		**8 963**	**-5 880**
Profit / Loss for the year		**8 379**	**-4 960**

Parent Company balance sheet

Amounts in kSEK	Note	2019-12-31	2018-12-31
ASSETS			
Non-current assets			
Financial assets			
Participations in group companies	24	7 134	5 822
Total financial assets		**7 134**	**5 822**
Total non-current assets		**7 134**	**5 822**
Current assets			
Current receivables			
Receivables from Group companies		69 704	63 318
Other receivables	14	586	643
Prepaid expenses and accrued income	15	133	10
Total current receivables		**70 423**	**63 971**
Cash and cash equivalents		154	373
Total current assets		**70 576**	**64 344**
TOTAL ASSETS		**77 710**	**70 166**

Parent Company balance sheet, cont.

Amounts in kSEK	Note	2019-12-31	2018-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	16	7 060	6 046
Total restricted equity		7 060	6 046
Non-restricted equiy			
Share premium reserve		41 724	30 719
Profit (loss) brought forward		-3 010	638
Profit/loss for the year		8 379	-4 960
Total non-restricted equity		47 093	26 397
Total equity		**54 154**	**32 443**
Non-current liabilities			
Other long term liabilities	17	15 548	25 967
Total non-current liabilities		**15 548**	**25 967**
Current liabilities			
Trade payables		85	432
Liabilities to group companies		119	–
Liabilities to related parties		7 178	11 173
Accrued expenses and deferred income	19	628	150
Total current liabilities		**8 009**	**11 755**
TOTAL EQUITY AND LIABILITIES		**77 710**	**70 166**

Parent Company statement of changes in equity

	Restricted equity	Non-restricted equity			
Amounts in kSEK	**Share capital**	**Share premium reserve**	**Retained earnings**	**Profit/loss for the year**	**Total equity**
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**

Parent Company statement of changes in equity, cont.

	Restricted equity	Non-restricted equity			
Amounts in kSEK	**Share capital**	**Share premium reserve**	**Retained earnings**	**Profit/loss for the year**	**Total equity**
Equity at 2019-01-01	**6 046**	**30 719**	**638**	**-4 960**	**32 443**
AGM appropriation of earnings			-4 960	4 960	–
Profit/loss for the year				8 379	8 379
Total	**–**	**–**	**-4 960**	**13 339**	**8 379**
Transactions with shareholders					
	11		1 312		1 322
New share issue	824	13 039			13 864
		-2 034			
	179				179
Total	**1 014**	**11 005**	**1 312**	**–**	**13 331**
Balance at 2019-12-31	**7 060**	**41 724**	**-3 010**	**8 379**	**54 154**

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.

On 10th of April 2020, 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 2019 were applied in the consolidated financial statements.

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

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 became effective for annual periods beginning on or after 1 January 2019.

On 1 January 2019 the group recognised new right-of-use assets of MSEK 12.6 and lease liabilities of MSEK 12.6 for its operating leases in respect of office premises. The nature of expenses related to the leases have changed as the straight-line operative lease expense has been replaced with a depreciation charge for right-of-use assets and interest expense on lease liabilities, in the first year of adoption these amounted to MSEK 6.2 and MSEK 0.9 respectively.

The transition has resulted in a net profit after tax decrease of MSEK -0.3 as a result of adopting these new rules. Adjusted EBITDA has increase by approximately MSEK 6.7, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

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

Standards which are in issue but not yet effective
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 Group.

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

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 22 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, Data & Analytics* and *Media Link.*

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;
ii the company intends to complete the intangible asset and use or sell it;
iii the company has the ability to use or sell the intangible asset;
iv 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;

v there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

vi 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 obsolete.

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 there 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.

Data & Analytics
Data and analytics consulting revenue is recognised on a monthly basis in line with the contractual agreement. Contracts are usually for a fixed project or a fixed number of days of support. Revenue for these services are typically derived from hours worked as recorded by the employees and confirmed by line managers. Most revenue under these arrangements is therefore earned over time on an output basis, in accordance with the terms of the contractual arrangement.

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.

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

2.14 Leases

At inception, the group assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the group recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within tangible fixed assets, apart from those that meet the definition of investment property.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the group is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other tangible fixed assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

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 is not applied in the Parent Company, instead all leases is 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 2019, 51% of the sales were in GBP and 44% in USD. Of purchases, 66% were in GBP and 22% 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 13 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 low. Refer to Note 17 Borrowing for the description of essential terms for borrowing.

Liquidity risk/Financing risk
At 31 December 2019, the Group had available liquidity of kSEK 5 534. 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

Amounts in kSEK	<1 year	1-2 years	2-5 years
At 31 december 2019			
Borrowings	7 010	68	–
Liabilities for right of use assets	4 969	3 152	
Other long-term liabilities	6 554	12 925	–
Liabilities to related parties	8 301	–	–
Trade payables and other liabilities	28 967	–	–
Total	**55 801**	**16 145**	**–**
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**

Parent Company

Amounts in kSEK	<1 year	1-2 years	2-5 years
At 31 december 2019			
Other long-term liabilities	6 554	12 925	–
Liabilities to related parties	8 301	–	–
Trade payables	85	–	–
Total	**14 939**	**12 925**	**–**
At 31 december 2018			
Borrowing	13 350	12 580	6 665
Liabilities to related parties	12 737	–	–
Trade payables	432	–	–
Total	**26 519**	**12 580**	**6 665**

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	
	2019-12-31	**2018-12-31**	**2019-12-31**	**2018-12-31**
Other long term liabilities	16 824	26 820	15 548	25 967
Liabilities to credit institutions	7 074	11 303	–	–
Liabilities to related parties	7 296	11 173	7 178	11 173
Liabilities for right of use assets	7 692	–	–	–
Less: cash and cash equivalents	-5 534	-3 856	-154	-373
Net debt	**33 351**	**45 440**	**22 572**	**36 768**
Total equity	53 565	40 485	54 154	32 443
Total capital	**86 916**	**85 925**	**76 725**	**69 211**
Debt/equity ratio	**38%**	**53%**	**29%**	**53%**

Financial Instruments per category

Group

	Assets at fair value through the profit and loss	Financial assets held at amortised cost	Total
2019-12-31			
Assets as per balance sheet			
Financial assets	-	-	**-**
Trade and other receivables	-	23 120	**23 120**
Other receivables	-	4 791	**4 791**
Cash and cash equivalents	-	5 534	**5 534**
Total	**-**	**33 445**	**33 445**

	Other financial liabilities	Total
2019-12-31		
Liabilities as per balance sheet		
Non-current liabilities to credit institutions	64	**64**
Liabilities for right of use assets	7 692	**7 692**
Other non-current liabilities	16 824	**16 824**
Current liabilities to credit institutions	7 010	**7 010**
Trade and other payables	24 073	**24 073**
Loans from related parties	7 296	**7 296**
Other liabilities	4 894	**4 894**
Total	**67 853**	**67 853**

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**

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 10 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 10 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.

Going concern
At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for a period of 12 months from the approval of the financial statements despite the current year loss and current liabilities exceeding current assets at the year end.

In the current financial year, the group made a loss after tax of 4,908 kSEK (2018: 7,148). At the balance sheet date, the group reported net current liabilities amounting to 17,809 kSEK.

The Directors have reviewed the forecast cash flows for the forthcoming 12 months from the date of approval of the financial statements and consider that the group will have sufficient cash resources available for that period to meet its liabilities as they fall due. However, this is dependent on meeting the performance expectations of the group and timings in the forecast which is based on significant judgement and estimation.

The Group expects that its future trading results will be impacted by the Covid-19 pandemic, which has had a significant impact on the global economy since the beginning of 2020. A full risk assessment of all sources of revenue has been carried out by management and the potential impact on the group's results has been calculated. As a result, it is possible that further funding will be required in the next 12 months should the effects of the pandemic be sustained over a longer period. Management have also considered the various government support schemes that have been announced in the territories in which it operates, UK, US, Canada and Sweden, to ascertain what facilities are potentially available to support the business's working capital requirements in the short to medium term. These measures, together with potential cost containment plans were therefore considered in the group's going concern assessment and forecast for the period within 12 months from the date of approval of the financial statements.

Due to the uncertainty around the timing and full effects of the Covid-19 pandemic on the group and the possible need to obtain further funding a material uncertainty exists which may cast significant doubt on the group's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business.

However, after considering the matters described above, and on the basis of their assessment of the group's financial position, the board of directors have a reasonable expectation that the group will be able to continue for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements for a period not less than 12 months from the date of approval of this report.

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 one customer that represents more than 10% of the total revenue (48% in Paid Media,).

Revenue within the Group relate to sales of services

Segment information for 2019

	SEO	Paid	Content & Creative	Data & Analytics	Other	**Total**
Segments' total revenue	86 364	63 668	5 934	12 558	7	**168 530**
Selling expenses	-11 322	-52 138	-2 200	-1 848	-984	**-68 492**
Gross margin	**75 042**	**11 530**	**3 734**	**10 710**	**-977**	**100 038**

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**

Revenues by geographic market as follows

Group	**2019-01-01 2019-12-31**	**2018-01-01 2018-12-31**
United Kingdom	78 818	127 309
Europe	12 716	331
Rest of the world	76 995	55 343
Total revenues by geographic market	**168 530**	**182 983**

Note 6 Audit fees

Audit assignment refers to the statutory audit of the annual report and consolidated financial statements 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 that the client, such as a review of an interim report.

Group	**2019-01-01 2019-12-31**	**2018-01-01 2018-12-31**
Audit assignments	1 135	1 142
Other advisory assignments	–	425
Total	**1 135**	**1 566**

Parent company	**2019-01-01 2019-12-31**	**2018-01-01 2018-12-31**
Audit assignments	85	399
Total	**85**	**399**

Note 7 Employee benefits and disclosures on staff

Group	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Salaries and benefits	63 154	64 937
Social security expenses	5 154	5 642
Share options granted to employees	1 300	1 487
Pension expenses - defined benefit plan	2 342	2 246
Total	**71 949**	**74 312**

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

	2019-01-01 2019-12-31		2018-01-01 2018-12-31	
Group	**Salaries and other benefits**	**Social security expenses incl. Pension expenses**	**Salaries and other benefits**	**Social security expenses incl. Pension expenses**
Board members, CEO and other senior executives	4 869	565	4 301	520
Other employees	64 453	7 496	62 123	7 368
(of which share options)	*1 300*		*1 487*	–
Total	**69 322**	**8 061**	**66 424**	**7 888**

	2019-01-01 2019-12-31 Average number of employees	Of which men:	2018-01-01 2018-12-31 Average number of employees	Of which men:
Parent company				
Sweden	–	–	–	–
Total	–	–	–	–
Subsidiaries				
United Kingdom	71	59%	75	64%
USA	22	32%	19	40%
Canada	14	64%	13	46%
Total in subsidiaries	107	**54%**	107	**57%**
Total in Group	**107**	**54%**	**107**	**57%**

Note 7 Employee benefits and disclosures on staff, cont.

Gender distribution of Board members and other senior executives

	2019-01-01 2019-12-31 Number on closing date	Of which men:	2018-01-01 2018-12-31 Number on closing date	Of which men:
Group				
Board members	5	100,0%	4	100%
CEO and other senior executives	8	62,5%	4	100%
Group total	**13**	**77%**	**8**	**100%**
Parent company				
Board members	5	100%	4	100%
CEO and other senior executives	1	100%	1	100%
Parent company total	**6**	**100%**	**5**	**100%**

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 228,016 stock options outstanding (2018 - 249,462), representing 3.1% of shares and 2.4% of votes. The weighted average exercise price of outstanding stock options was SEK 1 (2018 - SEK 1). The weighted average remaining contractual life of share options outstanding at 31 December 2019 was 9 years & 1 month. The exercise price is set at SEK 1.

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 Financial items

	Group		Parent Company	
	2019-01-01 2019-12-31	2018-01-01 2018-12-31	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Financial income				
Exchange rate difference, net	–	355	–	355
Interest income	1	1	–	–
Total financial income	**1**	**356**	**–**	**355**
Financial expenses				
Exchange rate difference, loss	2 536	837	2 392	264
Interest expense	3 761	1 302	1 457	1 190
Unwind of discount, other long term liabilities (note 17)	1 627	853	–	–
Total financial expenses	**7 924**	**2 992**	**3 849**	**1 454**
Profit (loss) from financial items	**-7 923**	**-2 636**	**-3 849**	**-1 099**

Note 9 Tax

	Group		Parent Company	
	2019-01-01 2019-12-31	**2018-01-01 2018-12-31**	**2019-01-01 2019-12-31**	**2018-01-01 2018-12-31**
Current tax for the year	2 302	2 284	–	–
Deferred tax for temporary differences	683	862	–	–
Total tax on profit for the year	**2 985**	**3 146**	**–**	**–**

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

	Group		Parent Company	
	2019-01-01 2019-12-31	**2018-01-01 2018-12-31**	**2019-01-01 2019-12-31**	**2018-01-01 2018-12-31**
Profit/loss before tax	-7 893	-10 295	8 379	-4 960
Income tax calculated at current tax rate*	1 689	2 013	-1 793	1 091
Non-taxable income	3 016	–	2 742	–
Non-deductible expenses	-2 344	-900	-86	-1 053
Deductible expenses, not booked	2 164	3 034	–	–
Tax loss carry-forwards for which no deferred tax asset was recognised	-946	-619	-863	-38
Foreign tax	-595	-148	–	–
Effect of changed tax rates	–	-172	–	–
Other	–	-63	–	–
Income tax	**2 985**	**3 146**	**0**	**0**

* For 2019, tax is calculated with tax rate for Sweden, 21.4%, difference from tax rate in UK is disclosed as *Foreign tax*. For 2018, the prevailing tax rate in the UK of 19.00% was used for the Ayima Holdings Limited Group, and 22% for the Swedish units.

Deductible expenses not booked for both 2018 and 2019 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 2 633 (2 308) is booked as a current tax asset as the amount is expected to be recovered from the tax authorities within one year. Non-taxable income refers to revaluation of earn out in *LeapThree.*

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	
2019-01-01 2019-12-31	**2018-01-01 2018-12-31**	**2019-01-01 2019-12-31**	**2018-01-01 2018-12-31**
7 560	5 346	1 084	227

There are no time limitations on loss carry-forwards in 2018 or 2019.

Note 9 Tax, cont.

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 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	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Deferred tax liabilities		
Customer contracts	1 810	1 849
Total deferred tax liabilities	1 810	1 849
Deferred tax assets		
Loss carry-forwards	5 680	4 876
Tangible assets	–	-266
Share option scheme	387	277
Other	-224	–
Total deferred tax assets	5 843	4 887
Deferred tax, net	4 033	3 038

Deferred taxes are allocated as follows:

Group	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Deferred tax liabilities		
- Deferred tax liabilities to be used after more than 12 months	1 601	1 657
- Deferred tax liabilities to be used within 12 months	209	191
Total deferred tax liabilities	1 810	1 849
Deferred tax assets		
- deferred tax assets expected to be utilised after more than 12 months	5 843	4 887
- deferred tax assets expected to be utilised within 12 months	–	–
Total deferred tax assets	5 843	4 887
Net deferred tax	4 033	3 038

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

Group	2019-01-01 2019-12-31	2018-01-01 2018-12-31
At the beginning of the year	3 038	4 016
Deferred taxes acquired in business combinations	–	-1 912
Recognised in profit or loss	683	862
Exchange-rate differences	311	72
At year-end	4 033	3 038

Note 10 Intangible assets

Goodwill

	Group	
	2019-12-31	**2018-12-31**
Opening acquisition cost	39 201	1 701
Aquired in business combinations	–	38 004
Exchange-rate differences	3 538	-505
Closing accumulated acquisition cost	**42 738**	**39 201**
Opening impairment losses	-531	-531
Exchange differences	-50	–
Impairment losses/reversals for the year	–	–
Closing accumulated impairment losses	**-581**	**-531**
Closing book value	**42 157**	**38 670**

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

2019-12-31	
Growth rate 1)	2 %
Discount rate 2)	12,7 %

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 11.3% on average
2. Cost of sales in line with increase in revenue with margins of 85-86% which will be maintained in future years.
3. Operating expenses will increase by an average of 5% year on year.

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 2020 and forecasts for 2021-2024. Beyond the forecast period, the starting point was a growth rate of 2 percent per year. No impairment requirement was identified.

Goodwill capitalised in 2018 is attributable to the acquisition of LeapThree Limited. Also see Note 22 Business combinations.

Note 10 Intangible assets, cont.

Capitalised development expenditures

	Group	
	2019-12-31	2018-12-31
Opening cost	14 600	8 465
Capitalised assets for the year	4 684	5 949
Exchange-rate differences	1 345	186
Closing accumulated cost	**20 629**	**14 600**
Closing accumulated amortisation	**–**	**–**
Closing book value	**20 629**	**14 600**

Customer contracts

	Group	
	2019-12-31	2018-12-31
Opening cost	17 375	6 013
Increase through business combinations	–	11 403
Exchange-rate differences	1 603	-41
Closing accumulated cost	**18 978**	**17 375**
Opening amortisation	-2 105	-851
Amortisation for the year	-2 092	-1 273
Exchange differences	-293	19
Closing accumulated amortisation	**-4 490**	**-2 105**
Closing book value	**14 487**	**15 269**

Increase in 2018 relates to the acquisition of LeapThree.

Other intangible assets

	Group	
	2019-12-31	2018-12-31
Opening cost	649	647
Purchases for the year	143	
Exchange-rate differences	59	2
Closing accumulated cost	**850**	**649**
Opening amortisation	-578	-573
Amortisation for the year	-56	-5
Exchange differences	-91	–
Closing accumulated amortisation	**-725**	**-578**
Closing book value	**125**	**71**

Note 11 Tangible assets

Equipment, tools, fixtures and fittings

Group	2019-12-31	2018-12-31
Opening cost	7 541	9 093
Purchases	290	795
Sales and disposals	-33	-2 514
Acquired in business combinations	–	36
Exchange-rate differences	618	132
Closing accumulated cost	**8 415**	**7 541**
Opening depreciation	-5 848	-7 158
Sales and disposals	32	2 503
Depreciation for the year	-974	-1 024
Exchange differences	-519	-169
Closing accumulated depreciation	-7 309	-5 848
Closing book value	**1 107**	**1 693**

Cost of improvements on external properties

Group	2019-12-31	2018-12-31
Opening cost	2 154	1 766
Purchases	–	473
Exchange-rate differences	185	-85
Closing accumulated cost	**2 339**	**2 154**
Opening depreciation	-775	-596
Depreciation for the year	-216	-179
Exchange differences	-71	–
Closing accumulated depreciation	-1 062	-775
Closing book value	**1 276**	**1 379**

Note 12 Financial assets

Group	2019-12-31	2018-12-31
At the beginning of the year	2 837	2 776
Exchange-rate differences	125	61
Impairment charge for the year	-2 962	0
Closing book value	**0**	**2 837**

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. During the year impairment losses totalling kSEK 2 962 were recognised in respect of unlisted investments.

Note 13 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	2019-12-31	2018-12-31
Trade receivables	23 168	25 237
Less: Reserve for doubtful receivables	-48	-44
Trade receivables - net	**23 120**	**25 193**

Trade receivables by currency

Group	2019-12-31	2018-12-31
SEK	–	14
USD	10 834	9 276
EUR	91	632
GBP	10 844	13 386
Other currencies	1 351	1 885
	23 120	**25 193**

Note 14 Other receivables

	Group		Parent Company	
	2019-12-31	**2018-12-31**	**2019-12-31**	**2018-12-31**
Tax account	568	505	568	505
Receivable from employees	548	501	–	–
Deposits	3 083	2 958	–	0
VAT receivable	29	143	17	138
Other receivables	563	1 161	–	–
Receivable from associated company	–	2 487	–	–
Total other receivables	**4 791**	**7 755**	**586**	**643**

Note 15 Prepaid expenses and accrued income

	Group		Parent Company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Prepaid rent	827	743	–	–
Prepaid insurance	10	302	10	–
Accrued income	349	191	–	–
Other	1 099	456	123	10
Total prepaid expeses and accrued income	**2 285**	**1 693**	**133**	**10**

Note 16 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 2018	**5 235 000**	**5 235 000**	**11 000 060**	**16 235 060**
Offset 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**
At 1 January 2019	**6 046 462**	**6 046 462**	**30 718 587**	**36 765 049**
Offset issue	178 571	178 571	2 321 429	2 500 000
New share issue, net after issue expenses	835 306	835 306	8 684 065	**9 519 371**
At 31 december 2019	**7 060 339**	**7 060 339**	**41 724 081**	**48 784 420**

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 6 833 539 Class B shares. All shares registered at the closing date were fully paid-up.

Proposed appropriation of earnings at the 2020 AGM
The Board of Directors proposes that the unappropriated earnings as at 31 December 2019, SEK 47 093 493, be carried forward.

Note 17 Borrowings & Other long-term liabilities

Group	2019-12-31	2018-12-31
Non-current		
Borrowings, other	64	636
Liabilities for right-of-use assets	2 914	–
Other long term liabilities	16 824	26 820
	19 802	**27 457**
Current		
Borrowings, factoring	–	10 079
Borrowings, other	7 010	587
Other interest-bearing liabilities	7 296	11 173
Liabilities for right-of-use assets	4 778	–
	19 084	**21 840**
Total borrowings	**38 885**	**49 296**

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%. In 2019 the earn-out calculation was revised resulting in a decrease in the liability amounting to MSEK 14, charged against profit and loss for the Group. In the parent company, the earn-out is carried at cost. In 2019, 12,8mSEK was charged against profit and loss in the Parent company, related to earn-out period 2018/2019 where no earn-out was paid.

Other interest-bearing liabilities relates to short term liabilities from a small group of investors amounting to MSEK 7.3m.

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

Group	2019-12-31	2018-12-31
Opening balance	49 296	5 851
Instalments	-14 174	-2 587
Change in invoice discounting	-4 696	–
New loans for the year	6 000	18 464
Right-of-use assets as of 2019-01-01	12 601	–
Convertible loan	-2 500	–
Acquired in business combinations	–	26 323
Unwind of discount, earn out	1 627	853
Revaluation earn out	-14 094	–
Accrued interest	152	621
Exchange-rate differences	4 673	-228
Closing balance	**38 885**	**49 296**

Note 17 Borrowings & Other long-term liabilities, cont.

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

	2019-12-31	2018-12-31
SEK	7 296	11 173
GBP	31 589	38 123
	38 885	**49 296**

The loan from Funding Circle runs with a fixed interest of 7%. The short-term borrowings run with a fixed interest rate of 12% to 16%. 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 18 Other liabilities

	Group	
	2019-12-31	**2018-12-31**
VAT liabilities	1 133	1 496
Liability to credit card companies	–	2 160
Employee-related liabilities	1 252	2 523
Other	2 509	148
Total other liabilities	**4 894**	**6 327**

Note 19 Accrued expenses & Deferred income

	Group		Parent Company	
	2019-12-31	**2018-12-31**	**2019-12-31**	**2018-12-31**
Accrued vacation pay	966	–	–	–
Social security expenses	569	93	–	–
Other employee-related items	–	88	–	–
Auditing and accounting	–	236	–	–
Deferred income	1 197	3 264	–	–
Other	5 389	2 095	628	150
Total accrued expenses and deferred income	8 121	5 776	628	150

Note 20 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 2019 or 31 December 2018.

Note 21 Right of use assets

	Group	
	2019-12-31	**2018-12-31**
Opening cost	–	–
Addition right of use assets	12 601	–
Exchange-rate differences	1 161	–
Closing accumulated cost	**13 762**	**–**
Opening amortisation	–	–
Amortisation for the year	-6 186	–
Exchange differences	-215	–
Closing accumulated amortisation	**-6 401**	**–**
Closing book value	**7 361**	**–**

Interest expenses charged to the P&L amount to kSEK 854. The Group's right of use assets relate entirely to rental of premises. Instalments for the year amount to MSEK 6,5. Lease expenses recognised through profit and loss amount to kSEK 289.

Note 22 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 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. Transaction related expenses amounted to SEK 486k.

Information on net assets acquired and goodwill:

Group	**LeapThree Limited 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:

Acquired carrying value	**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**

Earn out is discounted to present value and an unwind is charged as interest expense quarterly, see note 8. Revaluation of earn out in 2019 has decreased the liability by MSEK 14.1 due to revised profit for the earn out-period. This is shown in the P&L as *Other operating income*.

Note 23 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 2019 for SEO, Paid Media, Content and Creative was SEK 580 876.

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 was written off as irrecoverable bad debt in 2019.

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.

The loan has been converted to equity in 2019.

Note 24 Participations in Group companies

Parent company	2019-12-31	2018-12-31
Opening book value	5 822	3 526
Investments	1 312	2 297
Closing book value	**7 134**	**5 822**

Parent Company holds participations in the following subsidiaries:

Name	Corp.ID.no.	Domicile	% equity and votes	Number of participations	Carrying amount 2019-12-31
Ayima Holdings Limited	10353201	London	100%	10,404	6 292
Ayima Nordic AB	556876-7510	Stockholm	100%	1,000	842
					7 134

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

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
AEP Convert Limited	06267919	London	100%	Dormant company
L3 Analytics Limited	07391913	London	100%	Dormant company
Ayima Asia	02802435	Hong Kong	100%	Trading company

Note 25 Subsequent events

The Covid-19 pandemic has had a significant impact on the global economy in a very short period of time. The effect is expected to lead to a global recession or economic downturn in the coming months and years. Ayima's management have carried out a comprehensive risk assessment and review of the group's trading forecast as well as establishing any actions or strategies that may mitigate the risks as much as possible. These are outlined below.

Ayima's robust remote working policy has meant minimal operational impact and no interruption in services to clients while transitioning to remote working. The business continuity plan that has been in place for many years has been fully implemented successfully. Each team has been on hand to support our clients and assist as much as possible while they have made the transition to remote working, many for the first time, and client feedback is that this has been extremely helpful and very much appreciated.

Ayima's business is based in the digital world, the services offered are mainly focused on attracting customers to client's websites. With restrictions on movement now in place in the UK and around the world, now more than ever it is important for clients to ensure that their online presence is strong and that they are able to continue to attract customers and do business, albeit perhaps with a slightly altered focus.

Certain clients operate in industries that have been directly affected by the pandemic. Travel, events, hospitality, and education, have all been significantly impacted by the necessary restrictions that have been put in place by governments around the world in an attempt to curtail the spread of Covid-19. Ayima is working to ensure that it complies with all government advice as soon as it is announced and continues to work with those clients that are most affected. To date none have requested to reduce or terminate their contracts. The retail industry has also been significantly impacted by the restrictions on movement and trading, many clients are switching focus to online, but are asking to reduce budgets slightly for a limited period of time to preserve cash. The main impact on Ayima is from new clients that have had to push back contract commencement dates, or cancelled their marketing spend entirely as they reassess their budgets in light of current events. Conversely some clients are working in industries that are well placed to feel a positive impact from the change in the economic environment. More and more people are looking to online based solutions that are not affected by the restrictions, such as delivery services and online education resources, as well as healthcare and charity volunteering initiatives. Ayima counts these among its clients and is working with them to support their growth as they increase their budgets during this period. Potential clients continue to approach Ayima to work with them and the new business pipeline remains healthy.

The board have reviewed various scenarios to measure the potential impact of the pandemic on Ayima's trading results. The worst case scenario impact on operating income will be mitigated by some concurrent reductions in cost of sales. The group may put in place further measures to reduce costs including a reduction in staff costs through voluntary salary sacrifice or a similar arrangement. Ayima will not seek to reduce its staff as a result of the pandemic. Travel costs and other operational costs will naturally reduce due to the working from home arrangements that have already been implemented.

The UK government has recently announced several measures to support businesses to continue trading despite the economic downturn. Ayima's management is paying close attention to these measures and working with its banking partners and government agencies to assess what financing options may be available should they be required in the short to medium term.

Although Ayima will be affected by the economic impact of Covid-19, the board is confident that the group is well positioned to continue to grow in the coming years despite the economic downturn, albeit at a slower rate.

Signatures

The consolidated income statement and balance sheet will be submitted to the Annual General Meeting on June 12, 2020 for adoption.

Stockholm, April 17, 2020

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 17, 2020
BDO Sweden AB

Niclas Nordström
Authorised Public Accountant

AUDITOR'S REPORT

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 2019.

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 2019 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 2019 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.

Material uncertainty related to going concern

We draw attention to note 4 to the financial statements, which indicates an uncertainty around the timing and full effects of the Covid-19 pandemic on the group and the possible need to obtain further funding. As stated in note 4, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 2019 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 17th April 2020

BDO Sweden AB

Niclas Nordström

Authorized Public Accountant