

Invisible Walls ApS

Frederiksberggade 28, 2. th

1459 København K

CVR no. 38 99 95 24

Annual report for 2022/23

Adopted at the annual general meeting on 3 July 2023

Niels Ahlefeldt Wetterberg
chairman

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Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of Invisible Walls ApS for the financial year 1 January 2022 - 31 March 2023.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 March 2023 and of the results of the company's operations for the financial year 1 January 2022 - 31 March 2023.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 3 July 2023

Executive board

Niels Ahlefeldt Wetterberg
CEO

Supervisory board

Per Arne Lundberg
chairman

Karl Johan Stefan Gideskog

Independent auditor's report on extended review

To the shareholder of Invisible Walls ApS

Opinion

We have performed extended review of the financial statements of Invisible Walls ApS for the financial year 1 January 2022 - 31 March 2023, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

Based on the performed work it is our opinion, that the financial statements give a true and fair view of the company's financial position at 31 March 2023 and of the results of the company's operations for the financial year 1 January 2022 - 31 March 2023 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our extended review in accordance with the Danish Business Authority's standard on auditor's report for small enterprises and FSR - danish auditors' standard on extended review of financial statements in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements, that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility for the extended review of the financial statements

Our responsibility is to express a conclusion on the accompanying financial statements. This requires us to perform procedures in order to obtain limited assurance for our conclusion on these financial statements, and in addition perform specifically required supplementary procedures in order to obtain additional assurance for our conclusion.

Independent auditor's report on extended review

An extended review of financial statements includes procedures primarily consisting of making inquiries of management and others within the entity, as appropriate, applying analytical procedures and the specifically required supplementary procedures, and evaluating the evidence obtained.

The procedures performed in an extended review are less than those performed in an audit and accordingly we do not express an audit opinion on these financial statements.

Statement on management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the extended review, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Frederiksberg C, 3 July 2023

Solveo
Statsautoriseret Revisionspartnerselskab
CVR no. 40 84 48 99

Søren Møller Poulsen
statsautoriseret revisor
MNE no. mne15202

Company details

The company

Invisible Walls ApS
Frederiksberggade 28, 2. th
1459 København K

CVR no.: 38 99 95 24

Reporting period: 1 January 2022 - 31 March 2023

Domicile: Copenhagen

Supervisory board

Per Arne Lundberg, chairman
Karl Johan Stefan Gideskog

Executive board

Niels Ahlefeldt Wetterberg, CEO

Auditors

Solveo
Statsautoriseret Revisionspartnerselskab
Rahbeks Alle 21
1801 Frederiksberg C

Management's review

Business review

The activity of the company is to develop interactive experiences and other related services.

Financial review

The company's income statement for the year ended 31 March 2023 shows a loss of DKK 5.556.149, and the balance sheet at 31 March 2023 shows negative equity of DKK 2.247.804.

The company has lost more than 50% of the share capital. The management will according to the Danish Companies Act undertake actions that ensure the restoration hereof.

We refer to note 1, which explains the criteria for the company's continued operation (going concern).

Since the last annual report, the company has been acquired by Embracer Group AB. In this connection, the financial year for the company has been changed from 1 January - 31 December to 1 April - 31 March. The balance day is then 31 March.

Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Income statement
1 January 2022 - 31 March 2023

	<u>Note</u>	<u>2022/23</u> DKK	<u>2021</u> DKK
Gross profit		-57.937	-403.362
Staff costs	2	-2.765.848	-446.169
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	<u>-3.804.848</u>	<u>-1.087.100</u>
Profit/loss before net financials		-6.628.633	-1.936.631
Financial income		3.647	31.110
Financial costs	4	<u>-537.651</u>	<u>-275.564</u>
Profit/loss before tax		-7.162.637	-2.181.085
Tax on profit/loss for the year		<u>1.606.488</u>	<u>4</u>
Profit/loss for the year		<u><u>-5.556.149</u></u>	<u><u>-2.181.081</u></u>
Recommended appropriation of profit/loss			
Retained earnings		<u>-5.556.149</u>	<u>-2.181.081</u>
		<u><u>-5.556.149</u></u>	<u><u>-2.181.081</u></u>

Balance sheet at 31 March 2023

	<u>Note</u>	<u>2022/23</u> DKK	<u>2021</u> DKK
Assets			
Completed development projects		0	3.804.848
Development projects in progress		<u>8.509.367</u>	<u>0</u>
Intangible assets	5	<u>8.509.367</u>	<u>3.804.848</u>
Investments in subsidiaries	6	0	86.000
Deposit		<u>153.881</u>	<u>32.445</u>
Fixed asset investments		<u>153.881</u>	<u>118.445</u>
Total non-current assets		<u>8.663.248</u>	<u>3.923.293</u>
Trade receivables		0	1.559.696
Other receivables		74.815	58.003
Corporation tax		0	40.000
Joint taxation contributions receivable		2.389.231	0
Prepayments		<u>7.500</u>	<u>0</u>
Receivables		<u>2.471.546</u>	<u>1.657.699</u>
Cash at bank and in hand		<u>281.053</u>	<u>1.341.230</u>
Total current assets		<u>2.752.599</u>	<u>2.998.929</u>
Total assets		<u><u>11.415.847</u></u>	<u><u>6.922.222</u></u>

Balance sheet at 31 March 2023

	<u>Note</u>	<u>2022/23</u> DKK	<u>2021</u> DKK
Equity and liabilities			
Share capital		64.446	52.774
Reserve for development expenditure		6.637.306	2.967.782
Retained earnings		-8.949.556	-656.112
Equity		<u>-2.247.804</u>	<u>2.364.444</u>
Provision for deferred tax		782.823	0
Total provisions		<u>782.823</u>	<u>0</u>
Payables to group entities		11.710.000	0
Other payables		270.709	271.969
Total non-current liabilities	7	<u>11.980.709</u>	<u>271.969</u>
Short-term part of long-term debet	7	0	1.056.729
Trade payables		110.422	288.169
Payables to group entities		304.062	0
Payables to shareholders and management		0	1.916.916
Other payables		235.635	794.479
Deferred income		250.000	0
Long-term prepayments of work in progress		0	229.516
Total current liabilities		<u>900.119</u>	<u>4.285.809</u>
Total liabilities		<u>12.880.828</u>	<u>4.557.778</u>
Total equity and liabilities		<u>11.415.847</u>	<u>6.922.222</u>

Statement of changes in equity

	Share capital	Share premi- um account	Reserve for development expenditure	Retained ear- nings	Total
Equity at 1 January 2022	52.774	0	2.967.782	-656.112	2.364.444
Increase of capital by conversion of debt	11.672	932.229	0	0	943.901
Transfers, reserves	0	0	3.669.524	-3.669.524	0
Net profit/loss for the year	0	0	0	-5.556.149	-5.556.149
Transfer from share premium account	0	-932.229	0	932.229	0
Equity at 31 March 2023	64.446	0	6.637.306	-8.949.556	-2.247.804

Notes

1 Uncertainty about the continued operation (going concern)

The company's balance sheet at 31 March 2023 shows a deficit on equity of DKK -2,248k. Management expects game projects to be launched at the end of 2023 with a budgetted income that would be sufficient to reestablish the share capital at the end of the financial year 2023-24.

Capital owner Amplifier Studios AB, have submitted a promissory note to provide liquidity of DKK 15,200k, which the management expects to be sufficient for the company to continue its operations on an unchanged business basis. The promissory note is valid to and including April 1, 2024.

	<u>2022/23</u> DKK	<u>2021</u> DKK
2 Staff costs		
Wages and salaries	7.228.413	3.769.339
Pensions	925.405	253.140
Other social security costs	151.087	101.452
Other staff costs	<u>317.964</u>	<u>69.234</u>
	8.622.869	4.193.165
Staff costs transferred to development projects	<u>-5.857.021</u>	<u>-3.746.996</u>
	<u>2.765.848</u>	<u>446.169</u>
Average number of employees	<u>18</u>	<u>12</u>

	<u>2022/23</u> DKK	<u>2021</u> DKK
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation intangible assets	2.853.632	1.087.100
Impairment intangible assets	<u>951.216</u>	<u>0</u>
	<u>3.804.848</u>	<u>1.087.100</u>

Notes

	<u>2022/23</u>	<u>2021</u>
	DKK	DKK
4 Financial costs		
Interest paid to subsidiaries	201.099	0
Other financial costs	306.749	268.020
Exchange loss	29.803	7.544
	<u>537.651</u>	<u>275.564</u>

5 Intangible assets

	<u>Completed de- velopment pro- jects</u>	<u>Development projects in progress</u>
Cost at 1 January 2022	4.891.948	0
Additions for the year	0	8.509.367
Transfers for the year	0	0
Cost at 31 March 2023	<u>4.891.948</u>	<u>8.509.367</u>
Impairment losses and amortisation at 1 January 2022	1.087.100	0
Impairment losses for the year	951.216	0
Depreciation for the year	2.853.632	0
Impairment losses and amortisation at 31 March 2023	<u>4.891.948</u>	<u>0</u>
Carrying amount at 31 March 2023	<u>0</u>	<u>8.509.367</u>

In 2022 the company dedicated substantial resources to the development of Just Perfect, their second title in the social strategy space. Most of the development of 2022 was used on prototyping the core game play and creating a captivating and immersive gaming experience.

Furthermore management explored a number of partnerships with global partners for the launch of the title. While the release date remains undecided, the interest is huge and the company's owners firmly believe that Just Perfect has the potential to become a top 20 free-to-play game. First Class Trouble remains a popular title on console and PC.

Notes

	<u>2022/23</u> DKK	<u>2021</u> DKK
6 Investments in subsidiaries		
Cost at 1 January 2022	86.000	0
Additions for the year	0	86.000
Disposals for the year	<u>-86.000</u>	<u>0</u>
Cost at 31 March 2023	<u>0</u>	<u>86.000</u>
Carrying amount at 31 March 2023	<u>0</u>	<u>86.000</u>

7 Long term debt

	<u>Debt at 1 January 2022</u>	<u>Debt at 31 March 2023</u>	<u>Instalment next year</u>	<u>Debt outstan- ding after 5 years</u>
Payables to group entities	0	11.710.000	0	0
Other payables	<u>1.328.698</u>	<u>270.709</u>	<u>0</u>	<u>0</u>
	<u>1.328.698</u>	<u>11.980.709</u>	<u>0</u>	<u>0</u>

	<u>2022/23</u> DKK	<u>2021</u> DKK
8 Rent and lease liabilities		
Liabilities under rental or lease agreements until maturity in total	627.750	36.390

9 Contingent liabilities

The company is jointly taxed with Ghost Ship Holding ApS (management company), and jointly and severally liable with other jointly taxed entities for payment of income taxes as well as for payment of withholding taxes on dividends, interest and royalties.

10 Accounting policies

The annual report of Invisible Walls ApS for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, as well as provisions applying to reporting class C entities.

Notes

10 Accounting policies

The accounting policies applied are consistent with those of last year.

The annual report for 2022/23 is presented in DKK.

The company has changed the financial year from 1 January - 31 December to 1 April - 31 March. The balance day is then 31 March. The restructuring of the financial year is due to adaptation to the group's financial year. The comparison figures for 2021 covers 12 months and are thus not directly comparable.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, other operating income, costs of raw materials and consumables and other external expenses.

Notes

10 Accounting policies

Revenue

Revenue from the sale of goods is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Expenses for raw materials and consumables

Costs of raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Other operating income

The item Other operating income includes items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and items of property, plant and equipment, operating losses, indemnities relating to operating losses and conflicts as well as payroll refunds. Indemnities are recognised when it is more probable than not that the company is going to be indemnified.

Other external costs

Other external costs include expenses related to sale, advertising, administration etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses include amortisation and depreciation of intangible assets for the financial year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses etc.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Notes

10 Accounting policies

Balance sheet

Intangible assets

Development projects, patents and licences

Development costs comprise costs, wages/salaries and amortisation losses that are directly and indirectly attributable to the company's development activities.

Developments projects recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is two years.

Investments in subsidiaries, associates and participating interests

Investment in subsidiaries, associates and participating interests are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Receivables

Receivables are measured at amortised cost.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash comprises bank deposits.

Equity

Reserve for development costs

An amount corresponding to capitalised development costs is recognised in the reserve. The reserve is reduced as development costs are amortised.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Notes

10 Accounting policies

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Liabilities

Liabilities, which include trade payables and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Deferred income

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial years.