



Bright Star Studios ApS

Mindet 4B 2. tv, 8000 Aarhus C

CVR no. 39 82 20 75

**Annual report for the period
1 January to 31 December 2023**

Adopted at the annual general meeting on 30 July 2024

Lars Peter Henriksen
Chairman

Table of contents

	Page
Statements	
Statement by management on the annual report	1
Independent auditor's report	2
Management's review	
Company details	6
Management's review	7
Financial statements	
Income statement 1 January - 31 December	9
Balance sheet 31 December	10
Statement of changes in equity	12
Notes	13
Accounting policies	16

Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of Bright Star Studios ApS for the financial year 1 January - 31 December 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 December 2023 and of the results of the company's operations for the financial year 1 January - 31 December 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.

Aarhus, 30 July 2024

Executive board

Mark Phillipe Laursen

Supervisory board

Lars Peter Henriksen
chairman

Mark Phillipe Laursen

Ryan Jack Zurrer

Independent auditor's report

To the shareholders of Bright Star Studios ApS

Adverse Opinion

We have audited the financial statements of Bright Star Studios ApS for the financial year 1 January - 31 December 2023, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, due to the significance of the matter described in the "Basis for Adverse Opinion" paragraph, the financial statements do not give a true and fair view of the company's financial position at 31 December 2023 or of the results of the company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for Adverse Opinion

The company's management has prepared the annual financial statements on the assumption of continued operation. As mentioned in note 1 of the annual report, the continued operation of the company is conditional on the injection of new capital. Management is in positive negotiations with investors, which have not yet been concluded. We have not received sufficient documentation that this will be finalized, and therefore we disagree with management's preparation of the financial statements on the assumption of continued operation. In our opinion, the financial statements should be prepared based on the realization principle, which would significantly reduce the year's result and equity. It has not been possible to determine the impact of this on the financial statements.

The company's capitalized development projects in progress are recognized in the balance sheet at DKK 46,298k. We have not received sufficient documentation for the valuation of the capitalized development projects. Considering the risk above, we express a reservation about the valuation of the development projects.

The company's investments in subsidiaries are recognized in the balance sheet at DKK 17,000k. We have not received sufficient documentation for the valuation of the investment in subsidiaries. Considering the risk above, we express a reservation about the valuation of the investments in subsidiaries.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Independent auditor's report

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 the 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 responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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 financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 internal control relevant to the 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 management.

Independent auditor's report

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. 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 the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 audit 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 audit, 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.

Independent auditor's report

Copenhagen, 30 July 2024

Baker Tilly Denmark
Godkendt Revisionspartnerselskab
CVR no. 35 25 76 91

Morten Friis Munksgaard
statsautoriseret revisor
mne34482

Company details

The company	Bright Star Studios ApS Mindet 4B 2. tv 8000 Aarhus C CVR no.: 39 82 20 75 Reporting period: 1 January - 31 December 2023 Incorporated: 29 August 2018 Domicile: Aarhus
Supervisory board	Lars Peter Henriksen, chairman Mark Phillipe Laursen Ryan Jack Zurrer
Executive board	Mark Phillipe Laursen
Auditors	Baker Tilly Denmark Godkendt Revisionspartnerselskab Poul Bundgaards Vej 1, 1. 2500 Valby

Management's review

Business review

The Company's principal activity is developing and delivering software and video games.

Recognition and measurement uncertainties

Management expects that future earnings will result in no need for impairment of the company's development projects in progress and investments in subsidiaries.

Financial review

The company's income statement for the year ended 31 December 2023 shows a loss of DKK 11.154.896, and the balance sheet at 31 December 2023 shows equity of DKK 567.785.

Development of Flagship Game Product

The company's flagship game product is currently under development and is progressing very well. The project is meeting its milestones on schedule, and the development team is effectively integrating innovative features that are expected to significantly enhance the gaming experience.

Reception and Retention Metrics

The initial reception of the game has been more positive than anticipated. Early feedback from users and critics has been favorable, and player retention numbers exceed initial expectations. This indicates a high level of engagement and satisfaction among players, which is critical for long-term success and community growth.

Engine Performance

Performance tests of the game engine have yielded promising results. The engine demonstrates high efficiency in bringing modern, high-quality games into the browser environment, functioning as seamlessly as traditional client-based games. This patented technology positions the company favorably in the competitive game engine market.

Management's review

Ongoing Investment Round

The company's liquidity has strained, and continued operation depends on the continued sales and injection of additional capital. The company is currently engaged in an investment round that shows considerable promise. There has been strong interest and commitment from investors, reflecting confidence in the company's strategic direction and potential for growth. The successful completion of this investment round is expected to provide the necessary capital to accelerate development and marketing efforts, which is why the annual report is prepared on the assumption of continued operation.

These positive aspects highlight the company's robust position in the market and its potential for future success.

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 - 31 December

	Note	2023 DKK	2022 DKK
Gross profit		8.724.635	-8.199.701
Staff costs	2	-22.498.276	-19.585.036
Profit/loss before net financials		-13.773.641	-27.784.737
Financial income	3	0	5.597.274
Financial costs	4	-157.186	-52.702
Profit/loss before tax		-13.930.827	-22.240.165
Tax on profit/loss for the year		2.775.931	5.192.509
Profit/loss for the year		-11.154.896	-17.047.656
Recommended appropriation of profit/loss			
Transferred to reserve for development expenditure		9.841.939	18.409.805
Retained earnings		-20.996.835	-35.457.461
		-11.154.896	-17.047.656

Balance sheet 31 December

	Note	2023 DKK	2022 DKK
Assets			
Development projects in progress		46.298.053	33.680.183
Intangible assets	5	46.298.053	33.680.183
Investments in subsidiaries	6	17.100.000	17.100.000
Deposits	7	1.200.493	1.359.320
Fixed asset investments		18.300.493	18.459.320
Total non-current assets		64.598.546	52.139.503
Assets meant for sale		0	12.287.934
Stocks		0	12.287.934
Other receivables		212.744	1.426.622
Corporation tax		2.775.931	5.192.509
Prepayments		111.558	378.010
Receivables		3.100.233	6.997.141
Cash at bank and in hand		2.022.578	4.871.445
Total current assets		5.122.811	24.156.520
Total assets		69.721.357	76.296.023

Balance sheet 31 December

	Note	2023	2022
		DKK	DKK
Equity and liabilities			
Share capital		63.996	63.996
Reserve for development expenditure		36.112.481	26.270.542
Retained earnings		-35.608.692	-14.611.857
Equity		567.785	11.722.681
Trade payables		2.609.946	3.967.038
Payables to subsidiaries		921.213	862.184
Other payables		3.443.305	1.120.689
Deferred income		62.179.108	58.623.431
Total current liabilities		69.153.572	64.573.342
Total liabilities		69.153.572	64.573.342
Total equity and liabilities		69.721.357	76.296.023
Uncertainty about the continued operation (going concern)	1		
Contingent liabilities	8		

Statement of changes in equity

	Share capital	Reserve for development expenditure	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	63.996	26.270.542	-14.611.857	11.722.681
Net profit/loss for the year	0	9.841.939	-20.996.835	-11.154.896
Equity at 31 December	63.996	36.112.481	-35.608.692	567.785

Notes

1 Uncertainty about the continued operation (going concern)

The company's liquidity has strained, and continued operation depends on the continued sales and injection of additional capital. The company is currently engaged in an investment round that shows considerable promise. There has been strong interest and commitment from investors, reflecting confidence in the company's strategic direction and potential for growth. The successful completion of this investment round is expected to provide the necessary capital to accelerate development and marketing efforts, which is why the annual report is prepared on the assumption of continued operation.

	<u>2023</u>	<u>2022</u>
	DKK	DKK
2 Staff costs		
Wages and salaries	20.471.685	17.606.469
Pensions	496.970	315.070
Other social security costs	294.225	224.121
Other staff costs	1.235.396	1.439.376
	<u>22.498.276</u>	<u>19.585.036</u>
Number of fulltime employees on average	<u>35</u>	<u>29</u>
3 Financial income		
Other financial income	<u>0</u>	<u>5.597.274</u>
	<u>0</u>	<u>5.597.274</u>
4 Financial costs		
Other financial costs	<u>157.186</u>	<u>52.702</u>
	<u>157.186</u>	<u>52.702</u>

Notes

5 Intangible assets

	Development projects in progress
	DKK
Cost at 1 January	33.680.183
Additions for the year	12.617.870
Cost at 31 December	46.298.053
Carrying amount at 31 December	46.298.053

The development projects are progressing as planned and are expected to lead to profits going forward.

6 Investments in subsidiaries

Cost at 1 January	17.100.000	17.100.000
Cost at 31 December	17.100.000	17.100.000
Carrying amount at 31 December	17.100.000	17.100.000

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
Bright Star Studios Limited	Ta' Xbiex, Malta	100%	1.591.557	-513.893

Notes

7 Fixed asset investments

	Deposits DKK
Cost at 1 January	1.359.320
Additions for the year	95.418
Disposals for the year	-254.245
Cost at 31 December	<u>1.200.493</u>
Carrying amount at 31 December	<u>1.200.493</u>

8 Contingent liabilities

The company has entered into operating leases at the following amounts: T.DKK 1.190.

Accounting policies

The annual report of Bright Star Studios ApS for 2023 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.

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

The annual report for 2023 is presented in DKK

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, changes in inventories of finished goods and work in progress and other operating income less costs of raw materials and consumables and other external expenses.

Accounting policies

Revenue

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

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 distribution, sale, 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.

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.

Balance sheet

Intangible assets

Development projects

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.

Accounting policies

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 usually five years.

Investments in subsidiaries

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.

Other investments

Financial fixed assets include deposits, which are recognized at amortized cost.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The net realisable value of stocks is calculated as the expected selling price less direct costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Assets are designated as 'held for sale' if the carrying amount will be recovered principally through a sale rather than through continuing use, and the sale is expected to be completed within one year in accordance with an overall, coordinated plan. Assets are not depreciated or amortised from the time when they are designated as 'held for sale'.

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 and cash equivalents comprise cash and deposits at banks.

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.

Accounting policies

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.

Liabilities

Liabilities, which include trade payables, payables to group entities 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.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under 'Equity'.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

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Lars Peter Henriksen

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Morten Friis Munksgaard

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Lars Peter Henriksen

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