


ENTROPIA
UNIVERSE



MINDARK PE AB ANNUAL REPORT 2005



This annual report comprises
MindArk PE AB (publ) with corporate identity number 556640-4769.
The company does not own interests in
any other companies and is not part of any group.

05

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2005 An exciting year with

Project Entropia changes name!

The entertainment of the future is here!

Project Entropia is a virtual universe with a real cash economy. Since its public launch in 2003, business has increased considerably. In order to reinforce the image of our product as an established actor in the market, we changed its name in April 2006 to **Entropia Universe**.

The Entropia Universe belongs to a segment of the computer gaming industry called MMORPG, meaning Massive Multiplayer Online Roleplaying Game.

The software for the Entropia Universe is free of charge, and available for download through our website. In contrast to other software companies, we at MindArk encourage our customers to copy and distribute the software for the Entropia Universe.

Development of the virtual environment is a continual process that will never end. During 2005, a total of 8 new versions of the software were released.

The increased content of the virtual environment has resulted in a significant influx of new users, with over 133,000 new accounts created during the year.

Market development

The entertainment industry today finds itself under great pressure to change.

We at MindArk have long maintained that the consumers demand for entertainment will change from a passive consumption of TV and film, for example, to a more active participation in the form of interactive experience.

In the future, consumers themselves will participate and create their own entertainment

value to a much greater extent than before.

This development has been noted in the media during 2005, with the computer game industry achieving a greater turnover than both the film and music industries.

I can, with a certain sense of pride, claim that MindArk PE and the Entropia Universe participate as one of the leading players in this development. A development that I am convinced will accelerate in the coming years.

MindArks challenge lies in filling our virtual universe with meaningful and interesting content for our customers, a continual on-going task which also serves as the best guarantee for the expansion of our customer base, upon which the company's income is founded.

The Entropia Universe is global

The Entropia Universe is a global universe. It's possible to log into the Entropia Universe from anywhere in the world, all you need is a computer and an internet connection.

The majority of today's Entropia Universe customers are from the Anglo-Saxon world, the greater part coming from the USA, Great Britain and Sweden.

Strong income development

The influx of new users has resulted in revenues increasing by 63%, calculated in the virtual PED currency over the entire year.

As the expansion has occurred within the framework of the company's existing organization, its effect on the income statement is even more remarkable. The operating income before tax and transfers to untaxed reserves amounts to 6.5 mSEK in comparison with 0.7 mSEK from the previous year, constituting an increase of over 800%!

The increase in revenues rose further in the fourth quarter, due to the strong development of the USD exchange rate.

substantial growth

New share issue in MindArk PE

During autumn, the company carried out a new share issue directed to members of the international investment network "Bridge Investment Network".

The issue was fully subscribed and the issue amount was made available to the company in March 2006.

The issue provided almost 25 mSEK net, and the company has today approximately 900 shareholders.

Together with previous year's accumulated profits, the company has adjusted shareholder equity to approximately 31 mSEK Pro Forma, as of December 31, 2005.

Share issue funds shall be used for marketing the Entropia Universe to new customer segments, for a new development team and for a strengthening of the company's organization.

Development during 2006

Expansion has continued during the period January to March, 2006. The company expects a doubling of the net turnover during 2006 to over 50 mSEK. This increase in turnover will also lead to a strong increase in income. For 2006, we expect an income of at least 16 mSEK before tax and transfers to untaxed reserves.

I welcome the company's new and older shareholders to join us on an exciting journey.

Gothenburg, April 2006

Jan Welter Timkrans
CEO and main owner
MindArk PE AB (publ)

"The operating income before tax and transfers to untaxed reserves amounts to 6.5 mSEK in comparison with 0.7 mSEK from the previous year, constituting an increase of over 800%!"



The journey to Calypso – a real journey

Around the clock, all over the world, thousands of people are sitting in front of their computers. Only their bodies are on Earth. They spend their lives in the Entropia Universe, on the planet Calypso.

We find ourselves in a time of uncertain future. On the first planet mankind has discovered suitable for colonization. The initial terraforming of the planet was performed with the help of robots. During their mission however, control over the robots was lost when they became infected with a virus, forcing mankind to expel them from the planet. That wasn't the end though... these corrupted machines managed to start a secret base in another solar system where they rapidly began producing new droids that were sent back to take over Calypso.

Does that sound crazy?

For the world's dedicated Entropia fans, it's a reality as natural as making dinner or waiting for the bus.

One can of course go to the movies for stimulation, or even read a book for a change of atmosphere and a chance to break from the normal routine, but for those who want to delve deeper, interactive computer games are a world of their own.

Social and Entertaining

Entertainment is a major reason to play. You can amuse yourself by developing your character, by looking better, stronger, buying cooler stuff or getting richer – thereby climbing the Calypsian hierarchy.

What I find fascinating is that the social structure looks the same as it does in the real world. It's the application of human behavior, says Anders Stenlund, Chief Financial Officer at MindArk.

One exciting feature is finding smart ways to escape from, or kill, aliens and futuristic animals.

Another factor that attracts players is the social aspect – quite contrary to how many non-players purport the idea of lonely youths in front of their computer screens (preferably with the

blinds pulled down). As a player you can spend time and cooperate with others, let alone make new virtual friends in a fictitious world.

When close contact does arise, there are also possibilities to climb out of your virtual identity and make contact with others privately. There was a large real life meeting in Amsterdam in April for people that had gotten to know each other on Calypso, informs Marco Behrmann, Community Manager for MindArk.

There are even reports of real life couples that have found each other after initially meeting on Calypso. Social and entertaining – the same factors that matter for hundreds of other online games around the world, the most well known being World of Warcraft, Guild Wars and Star Wars Galaxies.

Fantasy world with real money

What sets the Entropia Universe apart from all others in the genre is its real cash economy. The planet Calypso may be fictional, but the money spent in the fantasy world is very real.

The planet has its own currency, the PED, where 10 PEDs equal 1 US Dollar. When you want to buy something for your character, you start an account and, like in so many other games, pay with your card. The special feature here is that players can exchange the monies won in the virtual world back into real currency that they can buy milk for.

If you've bought a sword for 100 PED and later sell it for 150 PED (since the sword has become a rare item and now commands a higher value) you can choose to have the monies exchanged to 15 US Dollars and deposited into your real world bank account.

On the planet Calypso we are all born equal, in orange pyjamas and without skills. In other words, when you enter the Entropia Universe for the first time, you log in and create an avatar, a virtual alter ego. The word comes originally from Hinduism and is a name for a God's incarnation on Earth in human or animal form. You can choose the gender, hair and



to a virtual universe

skin color of your avatar during this process. Upon completion of the avatar creation process, a new citizen arrives on the fictitious planet and it is he or she – in reality yourself – that wears the orange clothes. If you would like your avatar to wear something else, or even own a weapon or suit of armor, you've got to pay. That's where MindArk make money.

When players buy and sell between themselves, the company doesn't make anything. Neither so when a player chooses to remain in the orange pyjamas and own nothing.

Normally to play a game like this you need to buy the software, which is often complemented with a monthly subscription fee in order to participate. These two income streams are the most common ways that companies make money.

You can download the Entropia Universe free of charge. Anybody can register as a user and begin playing without cost. Like many other players you can choose to stop there. What costs money, there like here, is when you want to own land or items.

Virtual Record

An often publicized record was set in December 2004 when an Australian paid 265,000 PED (26,500 USD) for the virtual island called Treasure Island. A couple of days later the Guinness World Book of Records found out about the deal.

– It was the highest amount ever paid for a virtual item, explains Marco Behrmann. The record was beaten by a measure the following year when an American paid 1,000,000 PED (100,000 USD) for a virtual vacation resort on Calypso.

It was the early 1980's when Chalmers student Jan Welter had an idea, and from there the creation of a virtual world with a real economy began to grow. Quite a while later, 1995 in fact, he and a few colleagues began to take the idea of building a technical platform for a three dimensional world on the internet seriously. A few years later, in 1999, the group could show that the idea was feasible. It was christened Project Entropia and moved to a separate company called MindArk AB.

Investment and development dominated the following years. A slight turbulence called for a reorganization of activities before it was finally time. Just before the proposed time – eight minutes before midnight on the 30th of January 2003, the ship was ready for launch. The Entropia Universe was opened to the public.

Development and continuity

MindArk has grown consistently since then. The planet Calypso has been constantly developed. A measure of how well the new planet was received can be seen in Calypso's GNP during 2005, which amounted to over 1.65 Billion PED (165 million USD).

The most recent major enhancement took place at the end of April this year, when New Oxford opened its gates. The world's first virtual city of culture, informs Marco Behrmann.

MindArk are behind the basic structure of the city, but have also worked in conjunction with the Swedish artist Ernst Billgren on the architecture of the city. In New Oxford you can visit museums, galleries and clothing boutiques where you can buy both real and virtual items.

In an age where the impact of traditional movie advertising has been minimized, companies are searching for new channels. On Calypso they can meet their new audience. The first to realize this opportunity were the Vexed Generation clothing company that hopes to sell their urban lifestyle clothes, infused with a political and social message, to both avatars and players.

The first to exhibit in the planet's new galleries are three American artists. The galleries are currently exhibiting works that in certain cases can be bought in both real and virtual versions. You can have the same painting hanging in your apartment in London as in your house on Calypso.

Maybe it's how the narrator describes it in the Entropia Universe trailer: "Are you tired of your life on Earth? We can give you a new one on Calypso". In such case you may wish to keep them apart as much as you can.



Several year summary and key-ratios

Several year summary (amounts in kSEK)	2005	2004	2003
BALANCE SHEET			
Fixed assets	10 533	5 563	5 405
Receivables	2 737	1 531	673
Cash and bank balances	3 710	459	521
Shareholders equity	3 709	1 143	1 009
Untaxed reserves	3 320	480	0
Interest-bearing liabilities	2 232	3 279	3 921
Short-term liabilities	7 717	2 652	1 668
Total assets	16 980	7 553	6 599
INCOME STATEMENT			
Net sales	28 219	16 908	4 976
Operating profit	6 683	868	160
Profit after financial items	6 544	684	71
Income tax for the year	-1 136	-71	-61
Net income	2 568	133	9
ECONOMIC KEY RATIOS			
Adjusted equity	6 100	1 488	1 009
Equity ratio	36%	20%	15%
Debt equity ratio	1.8	4.1	5.5
Operational capital employed	8 333	4 767	4 930
Investments	6 882	1 317	5 677
Equity ratio per share (SEK)	6.10	1.49	1.01
Profit margin	23%	4%	1%
Return on operational capital	102%	17%	9%
Return on equity	124%	39%	5%
Earnings per share (SEK)	4.71	0.49	0.05
Average number of employees	24	20	18
KEY RATIOS ENTROPIA UNIVERSE			
New registered customer accounts	133 265	76 495	76 476
Gross funds provided in PED	47 320 820	29 072 475	6 492 297

Definitions of key ratios

Adjusted equity. Total equity + 72% of untaxed reserves.

Equity ratio. Adjusted equity as a percentage of total assets.

Debt equity ratio. Debts including postponed tax debt divided by adjusted equity.

Operational capital employed. Total assets – (non interest bearing debts + 28% of untaxed reserves).

Profit margin. Profit after financial items as a percentage of net sales.

Return on operational capital. Profit after financial items + financial cost as a percentage of average operational capital employed.

Return on equity. Profit after financial items – 28% standard tax rate as a percentage of average adjusted equity.

Profit per share. Profit after financial items – 28% standard tax rate divided by number of shares at the end of the financial year.

Share capital and ownership structure

The share capital of MindArk PE amounts to 1,146,350 SEK divided into 1,146,350 shares. All issued shares have equal rights to the company's assets and profits and are entitled to one vote each.

During autumn 2005 the company carried out a new share issue directed towards the open investment network "Bridge Investment Network". The new issue increased the company's shareholder equity by approximately 25 mSEK,

after issue costs. The issue amount was made available to the company in March 2006.

The Board of Directors will propose a so called split to the 2006 general meeting, where one old share is exchanged for 10 new shares in the company.

Since the company was established in 2003, share capital has developed as follows:

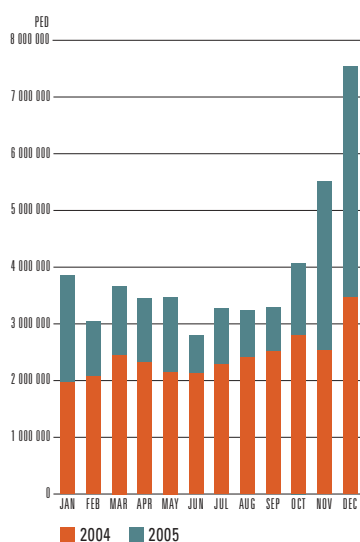
Share Capital Development

Time	Event	Increase in number of shares	Total number of shares	Increase in share capital	Total share capital
February 2003	Establishment	1 000	1 000	100 000	100 000
July 2003	Split 100:1	99 000	100 000	0	100 000
September 2003	New Issue	900 000	1 000 000	900 000	1 000 000
March 2006	New Issue	146 350	1 146 350	146 350 kr	1 146 350

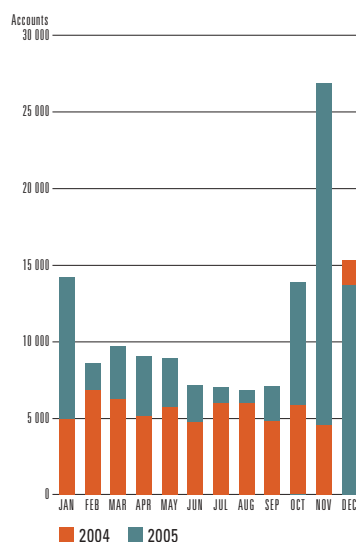
Ownership structure

Larger Shareholders	Shareholdings 31 December 2005	Share of capital & votes	Shareholdings after new issue	Share of capital & votes
Jan Welter Timkrans	447 503	44.8%	447 503	39.0%
C-G Bothén AB	310 000	31.0%	310 000	27.0%
"New owners via Bridge Investment Network (approx. 850)"	0	0.0%	146 350	12.8%
Lars Molinder	50 000	5.0%	50 000	4.4%
Mattias Sundström	43 457	4.3%	43 457	3.8%
Kronboken AB	22 265	2.2%	22 265	1.9%
Lars Hammarström	19 922	2.0%	19 922	1.7%
Urban Bothén	19 500	2.0%	19 500	1.7%
Other Shareholders (32)	87 353	8.7%	87 353	7.6%
	1 000 000	100%	1 146 350	100%

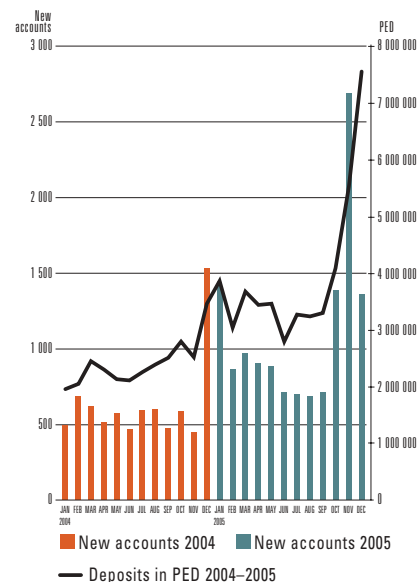
MONTHLY GROSS DEPOSITS 2004-2005



CREATED USER ACCOUNTS 2004-2005



NUMBER OF NEW ACCOUNTS – TOTAL DEPOSITS 2004-2005



Board of Directors and leading officials 2005

Board of Directors



Jan Welter Timkrans

Age: 49 years
Post: Chief Executive Officer
Number of shares in company: 447 503
Background: Member of the Board of Directors since 2003.
Studies at Chalmers 1978–1984
More than 20 years experience of executive position leadership. Creator of the Entropia Universe and MindArk PE.



Anders Gutenbrant

Age: 57 years
Post: Member of the Board of Directors
Number of shares in company: 10 000
Background: Member of the Board of Directors since 2005.
Economics Graduate HHS. Active as a financial advisor. More than 20 years experience as an advisor within corporate finance with Handelsbanken and Alfred Berg amongst others.



Bernt Wåhlin

Age: 51 years
Post: Chairman of the Board of Directors, Personnel Manager MindArk PE
Number of shares in company: 2 986
Background: Member of the Board of Directors since 2003.
Studies at Chalmers 1974–1979.
More than 20 years experience of working in leading positions.

Leading Officials



Cornelia Sundström

Age: 32 years
Post: Customer Service Manager
Number of shares in company: 0
Background: Studies in Communication Science and Social anthropology at Freie University in Berlin 1996–2002.
More than 15 years experience within service industry professions.
Has been employed at MindArk since spring 2005.



Marco Behrmann

Age: 33 years
Post: Community Manager and Concept Development for the Entropia Universe.
Number of shares in company: 4 150
Background: Systems Science education at Gothenburg's University. Has worked with a variety of computer games for almost 10 years. Has been employed at MindArk since 2002.

Jan Welter Timkrans

Chief Executive Officer
Facts: See above

Bernt Wåhlin

Personnel Manager
Facts: See above



Carl Ugglå

Age: 62 years
Post: Marketing Manager
Number of shares in company: 0
Background: Previously active in the advertising industry. Has been employed at MindArk since 2005.



Anders Stenlund

Age: 48 years
Post: Chief Financial Officer
Number of shares in company: 22 265 through company
Background: Economics graduate from Gothenburg's University with more than 20 years experience as an economic consultant. Employed at MindArk since the company started.

Auditor

Peter Önnheim

Authorized Public Accountant
Önnheim & Olsson Account Firm.

Director's Report 2005

The Board of Directors and Chief Executive Officer for MindArk PE Aktiebolag (publ) hereby present the Annual Report for January 1st – December 31st 2005.

Activity

The company runs and develops the Entropia Universe, which is a 3 dimensional Internet based virtual universe, globally available and free of charge for everybody with access to an Internet connection.

The company's activities have expanded during the year and show a substantial growth in the amount of users and income. Net turnover rose to 28,219 kSEK, an increase of 67% compared with the previous year.

133 000 new user accounts were created during 2005 (previous year 76,000), an increase of 74%. The profit before tax and transfers to untaxed reserves has increased almost tenfold and risen to 6,543 kSEK (previous year 684 kSEK).

Important Events

In conjunction with the ordinary shareholders meeting in June 2005, it was decided to change company form from a private to a public limited liability stock company. The Swedish Companies Registration Office registered the new company form on the 2nd of August. The meeting also decided that the company at Securities Register Centre (VPC) would apply to become an outsourcing client company. The association agreement with VPC was signed on the 23rd of November and VPC now administer the company's share register.

The Board decided on the 7th of September, with authorization support from the ordinary shareholders meeting, to carry out a new share issue of a maximum 146,350 shares at 205 SEK per share. The right to purchase the new issue shares was offered to members of the open investment network "Bridge Investment Network".

The new issue was fully subscribed and the net issue amount of 24,511,645 SEK was made available to the company in March 2006.

MindArk PE acquired all rights to the Entropia

Universe from the bankruptcy estate for MindArk AB in April 2003. The purchase price was paid in the form of a fixed part of 1,700,000 SEK as well as an additional purchase price based on user's activity within the Entropia Universe over a two year period.

The company has completed payment for the acquisition agreement as of the 15th of March 2006. The entered acquisition value for the Entropia Universe can hereby be fixed at 14,887,778 SEK.

The final payment of the additional purchase price for the Entropia Universe means that the company's cash flow is increasing.

The company's product changed name in April 2006 to Entropia Universe. That name is used throughout this year's annual report.

The Board of Directors will propose a so called split of the company's shares to the general meeting, whereby an old share in the company will be exchanged for 10 new shares.

Expected future development

The Entropia Universe is in an expansive phase and the company expects a substantial increase in both turnover and profitability during 2006.

The Boards proposition for distribution of earnings

The Board of Directors and Chief Executive Officer propose that the years profit of 2,567,568 SEK, together with the profit carried forward of 92,336 SEK, making a total of 2,659,904 SEK, be carried forward.

Any profit distribution is thereby proposed not to take place.

Further inquiries are directed to the below listed income statement, balance sheet and cash flow statement with accompanying notes.

Income statement

SEK	Note	1/1–31/12 2005	1/1–31/12 2004
OPERATING INCOME			
Net sales	1	28 218 752	16 907 884
OPERATING EXPENSES			
Other external costs	2	-7 378 391	-5 338 896
Personnel costs	3,4	-12 245 159	-9 542 5594
Amortization according to plan	5	-1 911 906	-1 158 718
Operating profit		6 683 296	867 711
FINANCIAL ITEMS			
Interest income		10 894	442
Interest costs		-150 240	-184 117
Profit after financial items		6 543 950	684 036
TRANSFERS TO UNTAXED RESERVES			
Additional amortization		-1 500 000	-400 000
Transfer to tax allocation reserve		-1 340 000	-80 000
Profit before tax		3 703 950	204 036
Income tax on profit for the year	6	-1 136 382	-71 198
Net profit for the year		2 567 568	132 838

Balance sheet

SEK	Note	31/12 2005	31/12 2004
ASSETS			
FIXED ASSETS			
INTANGIBLE ASSETS			
Entropia Universe	7	10 533 189	5 562 957
CURRENT ASSETS			
Other receivables		2 000	0
Prepaid expenses and accrued income	8	1 487 724	1 063 834
Accounts receivable	9	1 247 745	466 839
Cash and bank balances		3 709 134	459 337
TOTAL ASSETS		16 979 792	7 552 967
RESTRICTED EQUITY			
Share capital, (1.000.000 shares)	10	1 000 000	1 000 000
Statutory reserve		50 000	2 000
NON-RESTRICTED EQUITY			
Profit carried forward	10	92 336	7 498
Profit for the year		2 567 568	132 838
		3 709 904	1 142 336
UNTAXED RESERVES			
Accumulated additional amortization		1 900 000	400 000
Tax allocation reserves		1 420 000	80 000
		3 320 000	480 000
SHORT-TERM LIABILITIES			
Accounts payable		579 876	474 559
Income tax liabilities		1 148 411	132 582
Other liabilities	12	6 109 203	4 410 462
Accrued expenses	11	2 112 398	913 028
		9 949 888	5 930 631
TOTAL EQUITY AND LIABILITIES		16 979 792	7 552 967
MEMORANDUM ITEMS			
Pledged assets	13	50 000	None
Contingent liabilities	14	Royalty agreement	Royalty agreement

Cash flow statement

SEK	Note	1/1–31/12 2005	1/1–31/12 2004
CURRENT OPERATIONS			
Operating profit		6 543 950	684 036
Income tax on profit for the year		-1 136 382	-71 198
Adjustment for amortization		1 911 906	1 158 718
Increase (-)/decrease (+) in current receivables		-1 206 796	-857 803
Increase (+)/decrease (-) in current liabilities		5 065 631	983 508
Cash flow from current operations		11 178 309	1 897 261
ASSET MANAGEMENT OPERATIONS			
Investment in Entropia Universe		-6 882 138	-1 316 997
Cash flow from asset management		-6 882 138	-1 316 997
FINANCING			
Other financing by owners		-1 046 374	-642 207
Cash flow from financing		-1 046 374	-642 207
CASHFLOW FOR THE YEAR		3 249 797	-61 943
Opening cash and bank balances		459 337	521 280
Closing cash and bank balances		3 709 134	459 337
CASH FLOW FOR THE YEAR		3 249 797	-61 943

Notes

(amounts in SEK unless otherwise stated)

Accounting principles

The Annual Report has been prepared in accordance with the Annual Accounts Act. The accounting principles used agree with the Annual Accounts Act as well as recommendations and comments from the Accounting Standards Committee.

NOTE 1. NET SALES

The company's revenues consist of the cash funds supplied by users of the Entropia Universe.
The net revenues are presented in the income statement after the deduction of user requested reimbursements.

	2005	2004
Gross Revenues	31 340 790	17 780 672
Reimbursements	-3 122 038	-872 788
Net Sales	28 218 752	16 907 884
Distribution of Net Sales through different geographical markets:		
European Union users	15 157 844	9 004 441
Rest of world users	13 060 908	7 903 443
Total	28 218 752	16 907 884

NOTE 2. OTHER EXTERNAL COSTS

Entered costs for audit fee	86 800	40 000
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The accountants have not performed any consultations for the company.

NOTE 3. PERSONNEL COSTS

Average number of employees	24	20
of whom are women	5	2
Paid Gross Wages	8 007 003	6 463 441
of which paid to Board of Directors & CEO	949 748	265 421
Social Costs	2 561 991	2 074 494
Absences due to sickness – number of hours	391	586
% of total worked hours	0.9%	1.6%
of which belong to age group 30 – 49	239	425
% of total worked hours	0.5%	1.2%

Absences due to sickness are completely comprised of short term absences.

Notes

NOTE 4. PAYMENTS TO THE BOARD OF DIRECTORS

The Board of Directors is completely comprised of men.

The Board of Directors remuneration has not been paid. The CEO and Members of the Board are employed by the company.

Wages have been paid as follows:

	2005	2004
to CEO	638 800	0
to Board Members	310 948	265 421

NOTE 5. DEPRECIATION ACCORDING TO PLAN

Related completely to the depreciation of intangible assets constituted by the acquisition value of the Entropia Universe.

Planned depreciation is performed every month with one twelfth of 20% of the entered acquisition value.

Intangible assets	1 911 906	1 158 718
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NOTE 6. TAX ON NET PROFIT FOR THE YEAR

State income tax	1 136 382	71 198
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A standard interest calculation for transfers to tax allocation reserves brought forward, increases the year's tax by 627 SEK.

NOTE 7. INTANGIBLE ASSETS

Related completely to the acquisition value of the Entropia Universe.

Acquisition value brought forward	6 993 657	5 676 660
Acquisition during the year	6 882 138	1 316 997
Accumulated acquisition value carried forward	13 875 795	6 993 657
Depreciation brought forward	1 430 700	271 982
Depreciation during the year	1 911 906	1 158 718
Accumulated depreciation carried forward	3 342 606	1 430 700
Depreciation outside plan brought forward	400 000	0
Depreciation outside plan during the year	1 500 000	400 000
Depreciation outside plan carried forward	1 900 000	400 000
Entered net value carried forward	8 633 189	5 162 957

Depreciation outside the plan is entered in the income statement as transfers to untaxed reserves and in the balance sheet under untaxed reserves.

Notes

NOTE 8. LARGER ACCRUALS AND DEFERRALS

The company handles hard ware investments as expendable equipment. The cost of purchasing computers is entered as prepaid costs for the purchase month. Thereafter the cost is distributed over the following 12 month period with one twelfth of the purchase value per month.

	2005	2004
Invoiced but not yet entered costs for hard ware purchases amount to	1 089 163	629 370
Other prepaid costs	398 561	434 464
	1 487 724	1 063 834

NOTE 9. ACCOUNTS RECEIVABLE

Outstanding claims on the payment providers the company has partnerships with are shown under the heading accounts receivable. The balance contains payments confirmed by the payment providers, but not yet received by the company.

NOTE 10. CHANGES IN SHAREHOLDER EQUITY

	Share capital	Reserve fund	Non-restricted Equity	Total
Start of year sum	1 000 000	2 000	140 336	1 142 336
Profit allocation according to decision of ordinary Shareholders meeting:				
Transfer to Statuary reserve		48 000	-48 000	0
Net profit for the year				2 567 568
End of year sum	1 000 000	50 000	92 336	3 709 904

NOTE 11. LARGER ACCRUALS AND DEFERRALS

User requested reimbursements not yet paid, amongst others, are entered as accrued expenses.

	2005	2004
On the balance sheet date the figure amounted to:	1 200 000	275 000
Other accrued operating costs	912 398	638 028
	2 112 398	913 028

Notes

NOTE 12. OWNER FINANCE

The company's two largest share holders have during the founding of the company and acquisition of Entropia Universe, in addition to share capital, provided in total 3,921 kSEK as a short term loan to the company.

Reimbursement of this loan began during 2004 and has continued during 2005.

The owner loan is presented in the short term debts in the balance sheet.

	2005	2004
On the balance sheet date the total debt amounts to:	2 232 419	3 278 793

NOTE 13. PLEDGED ASSETS

Refers to collateral for VPCs benefit

The amount is part of the cash box and bank	50 000	0
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NOTE 14. ROYALTY AGREEMENT

Previous year's royalty agreement has ceased.

The company's CEO, as well as being its main owner, holds a royalty agreement that shall be paid when the company's net profit for one whole calendar quarter exceeds 500 000 USD. The royalty payments increase with increasing net turnover to a maximum of 4% when net turnover exceeds 10 000 000 USD per quarter. The 2005 result does not warrant any royalty payment.

Gothenburg, 26 April 2006

JAN WELTER TIMKRANS
CHIEF EXECUTIVE OFFICER

ANDERS GUTENBRANT

BERNT WÄHLIN
CHAIRMAN OF THE BOARD

My audit report concerning this annual report has been given on the 4th May 2006

PETER ÖNNHEIM
AUTHORIZED PUBLIC ACCOUNTANT

Audit Report

Audit Report for the Annual General Meeting of MindArk PE Aktiefbolag

Company number 556640-4769

I have audited the annual report and accounting records and the administration of the Board of Directors and the Chief Executive Officer of MindArk PE AB for the fiscal year 2005. These accounts and the administration of the Company and the application of the Annual Accounts Act when preparing the annual accounts are the responsibility of the Board of Directors and the Chief Executive Officer. My responsibility is to express an opinion on the annual report and the administration based on my audit.

The audit was conducted in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes evaluating the accounting principles used and their application by the Board of Directors and the Chief Executive Officer, and significant estimates made by the Board of Directors and Chief Executive Officer when preparing the annual report, as well as evaluating the overall presentation of information in the annual report.

As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the Company in order to determine the liability, if any, to the Company of any Board Member, or the Chief Executive Officer. I have also examined whether any Board Member or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, or the Company's Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual report has been prepared in accordance with the Annual Accounts Act and, thereby, gives a true and fair view of the Company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The Board of Directors report is consistent with the other parts of the annual accounts.

I recommend to the general meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the Board of Directors report, and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Gothenburg, the 4th May 2006

PETER ÖNNHEIM
AUTHORIZED PUBLIC ACCOUNTANT



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