

Annual Report 2007

Global IP Solutions (GIPS) Holding AB (publ)

Corporate Identity Number 556573-9017

31 December 2007

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Directors' Report

The Board of Directors and the CEO of Global IP Solutions (GIPS) Holding AB (publ) (Corporate Identity Number 556573-9017) present the annual report and consolidated financial statements for the financial year ended 31 December 2007.

The Company is a Swedish public limited liability company (Sw: "aktiebolag") with the Corporate Identity Number 556573-9017 and with the registered business address Magnus Ladulåsgatan 63 B, 118 27 Stockholm, Sweden, phone: +46 8 410 39 800, established under and governed by the laws of Sweden.

General comments

Global IP Solutions (GIPS) Holding AB (publ), referred to in this annual report as "the Company" or "GIPS", is the Parent Company of the "GIPS" Group. GIPS is an innovator in IP voice and video processing software for real-time communications. GIPS delivers IP multimedia solutions to power and enhance its customers' core communications products and services. The Company's award-winning and patented technology enables its customers to deliver IP communications solutions with enhanced quality and reliability. GIPS products are integrated into Voice over IP (VoIP), IP multimedia systems and software applications by leaders in worldwide telecommunications and software, including Oracle, IBM, Google, Nortel Networks, WebEx, AOL, Samsung, and many others.

The Company was founded in July 1999 in Sweden to develop and market technology designed to mitigate the inherent challenges of (VoIP). In December 1999, GIPS raised MSEK 106 from private investors and its shares became quoted on the Norwegian Securities Dealers Association's OTC List. At the end of 1999, GIPS filed its first patent. To date, GIPS has received 14 patents and has 10 others in pending status.

GIPS serves the global marketplace with a presence in the United States, Europe and Asia. The Company's headquarters is in San Francisco, California. Other significant office locations include Stockholm, Hong Kong, Tokyo, Seoul and Boston. In January of 2007, the Company changed its name from Global IP Sound AB to Global IP Solutions (GIPS) Holding AB.

GIPS' business model

The Company tailors its business arrangements to complement its customers' business models. The general approach to the Company's revenue is based on the principle that the more a customer uses GIPS software, the more GIPS should receive in revenue. As a result, the Company's revenue model includes three components: a one-time license or platform fee, a royalty model (either fixed or variable) and maintenance and support. In order for a customer to develop and ship products with GIPS software, an OEM License and Distribution Agreement must be signed. In addition to defining financial terms,

the agreement grants the customer the right to distribute GIPS software as part of a combined product offering. This type of agreement is used for the majority of GIPS products, including its PC and server-based solutions. Other types of agreements, such as Evaluation License Agreements and Demo License Agreements, are available to facilitate the short term evaluation of GIPS software or to allow a customer to test the market feasibility of a product. Evaluation and Demo licenses do not give a customer the right to freely distribute GIPS technology. OEM customers who distribute products with GIPS software must ensure that their customers comply with an end user license. Customers have no rights to source code and receive only object code. They are prohibited from making any modifications to GIPS code and from reverse engineering, decompiling or attempting to derive source code. From time to time, GIPS utilizes other business models and contracts to meet the needs of alternate channels or different markets.

Market

GIPS' main business activities concern the sale of media processing technology to two primary markets – the voice over IP and video over IP markets. GIPS' technology is packaged as engines or as SDKs. GIPS' customers are primarily service providers, application developers or enterprises delivering communications services to the market.

Voice over IP

Voice over IP continues to gain traction in global telecommunications, with growing acceptance among consumers and enterprise. Many initial market hurdles – poor sound quality, unstable connections to traditional telephone networks (PSTN) and a lack of reliable networks – have been overcome, enabling users to benefit from the feature-rich capabilities of IP communication tools. These features include improved voice quality, instant messaging, two-way video communication and even document transfers

utilizing a variety of different hardware and software devices.

Between 2005 and 2009, VoIP service revenue is expected to grow from USD 2.6 billion to USD 13.3 billion in North America, USD 2.3 billion to USD 12.7 billion in Europe and USD 4.2 billion to USD 12.9 billion in the Asia Pacific region¹.

Video over IP

As networks have improved, higher bandwidth is more readily available. This has fuelled the growth of multimedia over IP, including voice, video, audio and integrated data. Real-time video over IP is gaining traction in enterprises led by key verticals, such as healthcare and education. Video conferencing is expected to become an almost USD 12 billion market by 2010. Industry heavyweights are also venturing that video will be the next wave of Internet disruption.²

Revenue and profit

Revenue for 2007 was TUSD 14 428 compared to TUSD 17 089 for 2006, a decrease of 16%. The decrease in revenue was primarily attributable to several factors, including a lower number of new business contracts and design wins from the previous year, loss of royalty revenue from Skype in the second half of 2007 and slower growth in royalty revenue from existing customers, decreased revenue for new business contracts, and lower than expected revenues related to certain of the Company's products.

Operating expenses for 2007 increased significantly over the prior year due to a significant increase in employee headcount and overall operations and administrative expenses. In addition, the Company recorded several significant expenses in 2007. These

¹ VoIP Service Providers' report, July 2006 (Infonetics Research)

² The market is projected to reach a value of USD 11.9 billion by 2010 according to the "Video Conferencing: A Global Strategic Business Report" July 2007 (Global Industry Analysts)

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expenses included the following: a write-off of acquired assets in CrystalVoice Inc of TUSD 7 350 (see Note 14) and the write down of capitalized expenses in CrystalVoice of TUSD 479 (see Note 14), severance costs associated with a reduction in personnel and the departure of the Company's previous CEO during the third quarter of 2007, and significant bad debt reserves against the Company's accounts receivable. Operating expenses in 2006 included the positive effect of a gain from a favorable litigation settlement for TUSD 3 000 and reduced personnel expenses from the decreased cash-settled share-based payments liability with the subsidiary, Global IP Solutions, Inc., amounting to TUSD 7 721, compared to TUSD 1 229 in 2006 (see Notes 34 and 39).

As a result of the effects noted above, the Company's Earnings before Interest and Taxes (EBIT) for 2007 amounted to a loss of TUSD 7 212, compared to TUSD 9 176 for 2006. The net loss for 2007 was TUSD -8 276, compared to net income for 2006 of TUSD 10 137. Included in the net loss for 2007 was a write-down of tax assets of TUSD 2 585 and a reversed tax liability related to the write down of assets in CrystalVoice of TUSD 1 005.

Financial position and cash flow

Cash and cash equivalents on 31 December 2007 were TUSD 3 896, compared to TUSD 15 751 on 31 December 2006. The Group had no non-current loans or bank credits.

Cash flows from operating activities before changes in working capital totaled TUSD -4 293 (9778). Working capital decreased by TUSD -940 (-5 097) and cash flow after working capital changes amounted to TUSD -5 233 (4 681). The negative operating cash flow in 2007 was due to a significant decrease in revenue combined with a large increase in operating expenses, primarily due to an increase in personnel and overall operating expenses

Net cash from investing activities was TUSD -7 412 (- 5 055) and included the acquisition of CrystalVoice Communications, Inc of 3 243

TUSD in January 2007 and investment in intangible assets of 1 999 TUSD.

Ownership structure

GIPS has been listed on the Norwegian Securities Dealers Association's OTC List since December 1999. The 10 largest shareholders are:

Shareholder	Country	No. of shares	%
KISTEFOS VENTURE CAP	NOR	17 318 216	32.00%
HODNE HOLDING AS	NOR	2 844 550	5.30%
SKAGEN VEKST	NOR	2 594 660	4.80%
KLEIJN BASTIAN	NLD	2 000 000	3.70%
GEVERAN TRADING CO L	CYP	1 758 000	3.20%
ROAR HAGEN	NOR	1 500 000	2.80%
NOL INVEST A/S	NOR	1 122 500	2.10%
J B UGLAND HOLDING A	NOR	1 121 065	2.10%
NERAM AS	NOR	1 044 731	1.90%
ALGOT INVEST AS	NOR	754 000	1.40%
			59.30%

Earnings per share

Basic earnings per share were USD -0.15 (0.19). Diluted earnings per share were USD -0.15 (0.18)

Transition to IFRS

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

Previous years accounts have been prepared in accordance with Swedish GAAP as outlined by the Swedish Accounting Standards Board. The differences between Swedish GAAP and IFRS relate primarily to expense reductions from cash-settled share-based payments. The income recorded for 2007 amounts to TUSD 7 721 (1 229), related to the decrease of the liability for share-based payments due to the shorter time to maturity, together with forfeited options and the decreased share price. The capitalization of development expenses impacted the Company with TUSD 471 (146), net after depreciation and deferred taxes.

The table below summarizes the effects of the adoption of IFRS in the income statements for 2007 and 2006.

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	2007	2006
Net profit, Swe GAAP	-16 468	8 762
Effect of share-base payment	7 721	1 229
Effect of capitalization of development expenditures	471	146
Net profit, IFRS	-8 276	10 137

See Note 40 to the consolidated financial statements for a further description of the principal differences between IFRS and Swedish GAAP.

Acquisitions

The Group completed one acquisition during the year; the acquisition of Santa Barbara based CrystalVoice Communications, Inc. See Note 38.

Research and Development

R&D costs	2007	2006
– expensed during the year ¹⁾	1 909	1 987
– capitalized during the year	1 570	525
Total R&D costs	3 479	2 512
– as a percentage of revenues	24%	15%

1) whereof amortization of capitalized costs TUSD 417 (316).

Continuous research and development to secure innovative products is critical for maintaining the competitiveness of GIPS in the marketplace. The amount invested in these activities, including capitalized costs, increased by 38% to TUSD 3 479 (2 512), corresponding to 24% (15%) of revenues.

Personnel

In 2007, the average number of employees in the GIPS Group increased by 25% to 70 (56). At year-end, the number of employees was 74 (66). The acquisition of CrystalVoice added 7 employees.

Environment

GIPS in Sweden does not conduct any operations requiring environmental permits from the authorities in accordance with the Swedish Environmental Code, Chapter 9.

Parent Company

Global IP Solutions (GIPS) Holding AB is the ultimate Parent Company of the GIPS Group and is headquartered in Stockholm, Sweden. Its operations primarily involve performing the function of a holding company.

Profit after financial items totaled TSEK -1 143 (-2 234).

Changes in the Board of Directors and Management

The composition of the Board has not changed during 2007. Ms. Toth, the former CMO, left the Company in January 2008.

Gary Hermansen, the former CEO, left the Company in September 2007. From that time Roar Hagen was temporary CEO until Emerick Woods started as new CEO as of April 1, 2008.

Remuneration to Senior Management

See Note 13 for remuneration to management.

The Board of Directors' proposal for the remuneration guidelines, to be adopted at the Annual General Meeting on 2 June 2008 is worded as follows:

Senior management is comprised of the CEO and seven other persons with senior positions within the Group. The Board proposes that remuneration shall be paid in the form of fixed salary, variable salary based on performance and outcome and long-term variable remuneration through incentive programs. Senior management shall have the same benefits as other employees with respect to pensions and insurance. Severance pay shall normally only be granted to the CEO. The total remuneration for senior management shall be based on market conditions. The Board shall be entitled to deviate from the guidelines, in certain cases, if the Board assesses that specific reasons for such deviation are present.

Significant Events after Year-End 2007

Several events that may be of significance to investors have occurred since 2007. Mr. Emerick Woods, the new CEO, joined the Company on 1 April 2008.

On 28 February 2008, the Board resolved to issue 12 950 000 shares with pre-emption rights to subscription for existing shareholders. The new shares, with a par value of SEK 0.10 per share, were issued at a subscription price of NOK 4. The rights offering was oversubscribed by 19.1% and on April 21 the 12 950 000 new shares were allocated. Total number of shares have then increased to 67 088 918 from 54 138 918.

At the General Meeting on 18 March 2008, changes to the stock option plan were approved. The main feature of the changed stock option plan is that options are to be granted for shares in the Parent Company, rather than for shares of common stock in its subsidiary Global IP Solutions, Inc. The stock options will after the modification be classified as equity-settled options in the Parent. The cash-settled liability at modification date, TUSD 521, will be re-classified to equity. The modification date fair value of the cash-settled liability award will become the basis for recognizing cumulative remuneration expense over the vesting period. The unrecognized remuneration expense is recognized over the remaining vesting period. A result of the modification is that the Company's future results will be less volatile.

At December 31, GIPS held 98.8% of the shares in the subsidiary Global IP Solutions, Inc. The minority interest was held by employees and former employees of the GIPS Group. In May, 2008 the Company issued 553 162 new shares, directed towards those who own shares in Global IP Solutions, Inc. All was fully subscribed for, and the Company received 546 542 shares in Global IP Solutions, Inc as non-cash consideration for the newly issued shares in the Company. The consideration has been calculated on the basis

of the different amount of outstanding shares and the differences in market value between the two companies. Since May 2008, all companies within the GIPS Group are (directly or indirectly) wholly-owned subsidiaries of the Company.

In March, GIPS announced that it had MUS\$ 2.25 invested in auction-rate securities as of 29 February 2008. An auction-rate security is a debt security in which the yield is reset on each payment date at a Dutch auction. Due to current market developments, auction-rate securities have proved difficult to sell since the time of this announcement. The securities held are rated "AAA" by Standard & Poor's. TUSD 700 of these investments has since been redeemed at full value plus interest. The remainder is likewise expected to be redeemed in the short term.

In May 2008, GIPS announced that it would immediately conclude sales and marketing activities related to the Solutions products, which includes REX, REX SDK, Click-to-Talk and IVT. As a result of this cessation, the Company will terminate operations in Santa Barbara. The Company will continue to honor existing support agreements for current Solutions customers. Going forward, the move is expected to enable the Company to improve its focus on core products and technologies.

In May, the Company announced that an arbitration panel in Stockholm had rejected the Company's claim in its dispute with a licensee of GIPS. In accordance with the decision of the Arbitration Institute of the Stockholm Chamber of Commerce, the Company will bear the costs of both the Arbitration Institute and the licensee, which it estimates to lie between TUSD 420 to TUSD 500.

Outlook

The Company has refocused its efforts on core competencies and tightened its product strategy to develop a foothold in key growth markets.

Risk Factors and Risk Management

Incentive Program in Sweden

GIPS has a stock option plan for employees under which employees can exercise stock options to buy shares in the Company. An exercise of stock options implies that Swedish employees have received a taxable benefit from the Company equivalent to the difference between the market price of the share and the exercise price under the stock option. This benefit is taxable for the employee and the Company will pay employment tax on the benefit. The amount of tax that the Company will pay is dependent on the value of the shares at exercise and will increase if the value of the Company's shares increases. There have been indications that the taxable event for GIPS' stock option plan could fall at the time of vesting rather than at the time at which the employee exercises the stock options. Such an interpretation would lead to earlier taxation. The Company may become liable to pay additional employment taxes for previous financial years. The Company is not subject to any tax audit or any other form of public investigation in Sweden concerning this matter.

Dependency on a limited number of major customers

To a certain degree, the Company is dependent on a limited number of major key customers. Relationships with these customers have gradually been established over time. In most license agreements, the customer receives the right to choose whether to distribute the licensed software. Many of the Company's customers and

potential customers provide various products that provide competitive and overlapping capabilities regarding some of the solutions GIPS offers, and these customers may expand their presence in this and other markets in the future or select other companies' solutions. Major customers also may decide to discontinue or decrease their relationship with the Company at the conclusion of a current agreement. A decision by one or more of the Company's major customers to terminate their agreements with the Company may have a material effect on the Company's revenues.

International operations

GIPS' international sales and operations subject the Company to additional risks that can adversely affect its operating results. GIPS maintains offices inter alia in Sweden and subsidiary offices in the United States and Asia. These international operations are subject to a variety of risks, including: the overlap of different tax regimes; differing regulatory and legal requirements and employment schemes, together with a varying level of ability to identify and comply with such requirements and schemes in a timely manner; fluctuations in currency exchange rates; the need to localize and internationalize the products and licensing programs; and reduced protection for intellectual property rights in certain countries. To date, GIPS has not used risk management techniques or "hedged" the risks associated with fluctuations in foreign currency exchange rates, hence the Company has foreign currency exchange

risk between the following currencies: USD and SEK.

Products and services liability

The Company's markets are characterized by rapid technological advances, changes in customer requirements and frequent new product introductions and enhancement. The Company's future success will depend chiefly upon its ability to enhance its current products and to develop and introduce new products and services that keep pace with ever-evolving technological developments. Furthermore, it is essential to respond to changes in customer requirements and to achieve continued market acceptance. Any failure to anticipate or respond adequately to technological developments and customer requirements, or any significant delays in product or application development and introduction, could result in a loss of competitiveness and revenues.

Because software products are complex, they may contain errors, or "bugs," that can be detected at any point in a product's life cycle. These errors can materially and adversely affect the Company's business reputation, result in significant costs to the Company, and impair the ability to sell products in the future. Errors in the software also may result in expensive and time-consuming litigation and the potential award of substantial damages. The costs incurred in correcting any product errors may be substantial and could decrease profit margins. While GIPS expects to continually test its products for errors and work with customers through the customer support service organization to identify and correct bugs, errors in the Company's software products may be found in the future. Moreover, because the products support and interoperate with third party operating systems and applications, any software errors or bugs may result in errors in the performance of the products and may require cooperation from the third party to resolve.

While the software license agreements typically contain limitations and disclaimers intended to limit GIPS' damage liability for errors in the software, there is no assurance that such limitations and disclaimers will be enforced by a court or other tribunal or will otherwise effectively protect the Company from such claims. This is particularly true with respect to those of the products licensed under "clickwrap" license agreements that are not signed by licensees, but may also apply to negotiated license agreements.

To increase revenue, the Company must continue to enhance existing products and services and continue to develop new products and services to address the increasingly sophisticated and varied needs of existing and prospective customers. The development of new products and services, and the enhancement of existing products and services, entail significant technical and business risks, require substantial lead-time, and require significant investments in product development. As is common in new and evolving industries, demand and market acceptance for recently introduced products and new market entrants are subject to high levels of uncertainty and risk. Furthermore, new products can quickly render obsolete products that were formerly in high demand, which may include products that currently provide GIPS with significant revenue.

Intellectual Property Rights (IPR)

If GIPS fails to protect its intellectual property rights, competitors may be able to use the technology or trademarks, which could weaken the Company's competitive position, reduce revenue and increase costs. GIPS' success is heavily dependent on its ability to license its software products which are based on its proprietary technology. The Company relies primarily on a combination of patent, copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect intellectual property rights in its products and services. These laws and procedures provide only

limited protection. GIPS presently has 13 granted patents and an additional 10 pending patents. However, these patents may not provide sufficiently broad protection or they may not be enforceable in actions against alleged infringers. Additionally, despite precautions, it may be possible for unauthorized third parties to copy or reverse engineer aspects of current or future products or to independently develop similar or superior technology or design around the patents the Company owns. Policing unauthorized use and transfer of the Company's software is difficult and software piracy can be expected to be a persistent problem. In licensing the products, other than in enterprise license transactions, the customers sometimes rely on "shrink wrap" or "clickwrap" licenses that are not signed by licensees. Such licenses may be unenforceable, in whole or in part, under the laws of certain jurisdictions. In addition, the laws of some foreign countries do not protect proprietary rights to as great an extent as do the laws of the United States. Litigation may be necessary in the future to enforce our intellectual property rights, to protect trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation would be costly and potentially distracting to management, and there is no assurance that GIPS would be successful in such litigation. Some, but not all, of the trademarks used by GIPS are registered in one or more jurisdictions. The Company may become subject to trademark infringement by third parties. GIPS' use of trademarks, whether registered or not, could infringe the proprietary rights of third parties.

A claim of infringement against GIPS could injure the Company's reputation and adversely affect its ability to sell products. Third parties may claim that the Company's current or future products infringe on their proprietary rights, and these claims, whether they have merit or not, could harm the Company's business by increasing costs or reducing revenue. Such claims could affect

relationships with existing customers and may discourage future customers from purchasing GIPS' products. The intensely competitive nature of the Company's industry and the importance of technology to competitors' businesses may increase the likelihood of third party claims of this nature. Any such claims, even if without merit, could be time consuming, result in potentially significant litigation costs or damages, cause product shipment delays and require the Company to enter into royalty or licensing agreements; fighting a patent suit is a particularly costly and slow procedure and can potentially have a very negative effect. GIPS' intellectual property rights, including its patents and patent applications, do not insulate GIPS from any intellectual property infringement liability regarding third parties who may currently own intellectual properties such as patents that currently encompass one or more features of the Company's products. Furthermore, GIPS' intellectual property rights, including its patents and patent applications, do not and cannot insulate GIPS from any intellectual property infringement liability regarding third parties who may subsequently be granted intellectual property, such as dominating patents that may be issued on currently pending or to-be-filed patent applications, encompassing one or more features of GIPS' products.

Royalty or license agreements may not be available on commercially favorable terms or at all. Such claims could also force the Company either to stop selling, incorporating or using products or services incorporating the challenged intellectual property or to redesign those products and services that incorporate such technology. GIPS expects that software developers will increasingly be subject to infringement claims as the number of products and competitors in the software industry grows and the functionality of products in different industry segments overlaps.

Variability of operating results

GIPS' operating results can vary from quarter to quarter. The Company's operating income is difficult to forecast due to changes in customer's budgets and expenditures, the competitive environment and other general economic and market conditions.

Unanticipated difficulties in pursuing the Company's business strategy could have a material adverse effect on the Company's business, operating results, or financial position. In addition, the GIPS Group has a history of losses and may experience losses in the future.

Changes in license fee models

Changes in the way GIPS does business may impact the operating results by changing the manner in which the Company is required to account for sales. Software licensed on a "perpetual" basis enables GIPS to recognize the majority of revenue received in connection with the sale promptly upon consummation of the sale: annual license fees are recognized as earned. However, some customers are moving towards a subscription-based model in which periodic fees are charged for use of the software. If customers increasingly demand that GIPS sells licenses to the Company's software on a subscription basis, or the Company otherwise charges a periodic fee for its use, the recognition of revenue for that sale will be delayed, decreasing the revenues attributable to that sale during the reporting period in which the sale is made (although the revenue will continue to be recognized in subsequent periods). The conversion of

substantial portions of license sales to a subscription basis could materially impact revenues during the initial quarters in which the change is implemented.

Loss of key personnel

The Company's success depends, to a significant extent, upon its highly qualified management and key employees. Financial difficulties and other factors could negatively impact the Company's ability to retain and attract key employees. The loss of members of senior management or other key personnel, particularly operational and technical personnel, and the inability to attract a sufficient number of qualified employees could adversely affect the Company's business and results of operations. There is no assurance that the Company will successfully attract the personnel required for the continued expansion of its business and the successful execution of its business strategy.

Financial risks

The Company's financial risks are defined as market, credit and liquidity risks. Market risks comprise currency, price and interest rate risks. These risks are mostly managed centrally at Group level and regulated by the Group's financial policy. The aim of managing financial risks is to reduce volatility and increase the predictability of the income statement and balance sheet. Accounting principles and financial risk management are described in more detail in Notes 2 and 4.

Five Year Summary

Accounting records, TUSD	IFRS 2007	IFRS 2006	Swe GAAP 2005	Swe GAAP 2004	Swe GAAP 2003
Revenue	14 428	17 089	8 847	3 715	919
Operating profit/loss	-7 212	9 176	1 727	-993	-3 812
EBITDA	2 710	13 731	1 979	4 796	-8 867
Profit/loss after financial items	-6 526	9 717	1 959	-6 668	1 352
Profit/loss for the period	-8 276	10 137	1 782	-4 822	1 349
Investments in non-current assets (excluding goodwill)	4 912	2 887	408	24	81
Operating margin	neg.	54%	20%	neg.	neg.
EBITDA margin, before non-recurring items	19%	80%	22%	129%	neg.
Cashflow, TUSD					
Cash flow from operating activities	-5 233	4 681	4 002	-1 778	1 618
Cash flow from investing activities	-7 412	-5 055	-361	-123	-5 621
Cash flow before financing activities	-16 938	9 404	3 641	-1 901	-4 003
Cash flow from financing activities	100	1 755	6 452	3 603	2 243
Profitability measure					
Return on equity, %	neg.	68,7%	17,4%	neg.	27,8%
Return on capital employed, %	neg.	66,3%	19,4%	neg.	17,7%
Financial measurements at the end of the period					
Equity/assets ratio, %	55%	52%	76%	63%	82%
Capital employed at the end of the period	8 377	15 695	14 073	6 426	7 738
Average capital employed	12 036	14 884	10 250	7 082	7 738
Asset turnover rate	1,20	1,15	0,86	0,52	-
Equity at year-end	7 887	15 408	14 073	6 426	7 738
Average equity	11 648	14 740	10 250	7 082	4 855
Total assets	14 357	29 796	18 620	10 222	9 455
Share data per share					
Share price, NOK	4,75	20,25	32,93	7,07	2,59
Profit/loss after tax, basic	-0,15	0,19	0,03	-0,10	0,03
Equity, basic	0,15	0,28	0,27	0,13	0,18
Market value at end of year/period, TNOK	257 160	1 096 218	1 746 671	350 383	110 328
Number of shares, millions					
Total number of issued shares	54	54	53	50	43
Average number of shares in issue, basic	54	54	51	47	33
Average number of shares in issue, diluted	57	56	51	47	33
Personnel					
Average number of employees	70	56	35	24	21

Consolidated Income Statement

TUSD	Note	2007	2006
Revenue	7, 8	14 428	17 089
Cost of goods sold		-1 604	-2 229
Gross profit		12 824	14 860
Selling costs	10	-10 700	-4 859
Administrative expenses	9, 10	401	-2 691
Research and development costs	10	-1 909	-1 987
Other income	14	-	3 853
Other operating expenses	14	-7 829	-
Operating profit		-7 212	9 176
Profit/loss from financial investments			
Finance income	15	987	685
Finance costs	15	-300	-144
Profit/loss after financial items		-6 526	9 717
Tax	16	-1 750	420
Net profit/loss for the year		-8 276	10 137
of which attributable to equity holders of Global IP Solutions (GIPS) Holding AB		-8 348	10 119
of which attributable to minority interest		72	18
Earnings per share (See Note 17)			
Average number of shares		54 138 918	53 633 710
Number of shares		54 138 918	54 138 918
Average number of shares, diluted		56 821 579	56 316 371
Earnings per share, basic, USD ¹⁾		-0,15	0,19
Earnings per share, diluted, USD ¹⁾		-0,15	0,18
Proposed dividends per share, USD		0,00	0,00

1) Earnings per share is calculated on the weighted average number of shares during the period. This is based on the equity holders of Global IP Solutions (GIPS) Holding AB's share of the profit/loss for the period.

Consolidated Balance Sheet

TUSD	Note	Dec 31, 2007	Dec 31, 2006
NON-CURRENT ASSETS			
<i>Intangible non-current assets</i>			
Patents	19	520	380
Software	20	1 572	2 165
Capitalised development expenditure	18	1 631	958
<i>Tangible non-current assets</i>			
Equipments	22	164	112
Cost of improvements of other entity's property	23	45	47
<i>Financial non-current assets</i>			
Deferred tax assets	26	-	2 480
Other financial non-current assets	25	213	184
TOTAL NON-CURRENT ASSETS		4 145	6 327
CURRENT ASSETS			
Trade receivables	27	1 977	5 596
Other receivables	28	1 494	1 543
Prepaid expenses and accrued income	29	595	580
Financial investments	30	2 250	-
Cash and cash equivalents	31	3 896	15 751
TOTAL CURRENT ASSETS		10 212	23 470
TOTAL ASSETS		14 357	29 796

Consolidated Balance Sheet, cont.

TUSD	Note	Dec 31, 2007	Dec 31, 2006
EQUITY			
Share capital	32	816	816
Share premium reserve		32 867	32 868
Reserves		1 377	695
Retained earnings, including profit/loss for the year		-27 261	-18 988
Minority interest in equity		89	18
TOTAL EQUITY		7 887	15 408
NON-CURRENT LIABILITIES			
Deferred tax liability	26	489	287
Provision for share-based payment liability	34	-	8 056
Other non-current liabilities	4	381	47
Total non-current liabilities		870	8 391
CURRENT LIABILITIES			
Trade payables		670	1 189
Other liabilities		75	41
Accrued expenses and deferred income	33	4 310	4 769
Provision for share-based payment liability	34	545	-
Total current liabilities		5 600	5 998
TOTAL LIABILITIES		6 470	14 389
TOTAL EQUITY AND LIABILITIES		14 357	29 796
Memorandum items			
PLEGDED ASSETS		None	None
CONTINGENT LIABILITIES	35	220	58

Consolidated Cash Flow Statement

TUSD	Note	Group	
		2007	2006
Operating activities			
Profit/loss after financial items		-6 526	9 717
Adjustment for non-cash items	37	2 201	-650
Taxes paid		32	711
Cash flow from operating activities before changes in working capital		-4 293	9 778
Cash flow from changes in working capital			
Increase(-)/decrease(+) in operating receivables		-1 363	331
Increase(+)/decrease(-) in operating liabilities		423	-5 428
Cash flow from operating activities		-5 233	4 681
Investing activities			
Acquisitions of subsidiaries, net of cash acquired	38	-3 243	-
Acquisitions of intangible non-current assets		-1 999	-4 854
Acquisitions of tangible non-current assets		-402	-184
Sales of tangible non-current assets		482	-
Investments in financial assets		-2 250	-17
Cash flow from investing activities		-7 412	-5 055
Financing activities			
New share issue in subsidiary		100	1 755
Cash flow from financing activities		100	1 755
Cash flow for the year		-12 545	1 381
Cash and cash equivalents at beginning of year		15 751	13 654
Exchange rate differences in cash and cash equivalents		690	716
CASH AND CASH EQUIVALENTS AT END OF YEAR	31	3 896	15 751

Consolidated Statement of Changes in Equity

TUSD	Equity attributable to Parent Company's shareholders					Minority interest	Total equity
	Share capital	Share premium reserve	Reserves	Retained earnings	Total		
Opening balance 2006 according to IFRS	667	31 200	-	-29 255	2 612	-	2 612
Change in translation reserve for the year			695		695	-	695
Changes of wealth recognised directly against equity, excluding transactions with the Company's owners	-	-	695	-	695	-	695
Net profit for the year			-	10 119	10 119	18	10 137
Total changes of wealth, excluding transactions with the Company's owners	-	-	695	10 119	10 815	18	10 832
New share issue	148	1 668	-	-	1 816		1 816
Change for the year in equity share based compensation in accordance with IFRS 2	-	-	-	148	148	-	148
Closing balance 2006/opening balance 2007	816	32 868	695	-18 988	15 391	18	15 408
Change in translation reserve for the year			682		682	-	682
Changes of wealth recognised directly against equity, excluding transactions with the Company's owners	-	-	682	-	682	-	682
Net loss for the year	-	-	-	-8 348	-8 348	72	-8 276
Total changes of wealth, excluding transactions with the Company's owners	-	-	682	-8 348	-7 666	72	-7 594
Change for the year in equity share based compensation in accordance with IFRS 2	-	-	-	73	73	-	73
Closing equity 2007	816	32 868	1 377	-27 261	7 798	89	7 887

Specification of reserves included in the item Equity attributable to shareholders

Translation reserve	2007	2006
Opening translation reserve	695	-
Translation differences for the year	682	695
Closing translation reserve	1 377	695
Translation reserve	2007	2006
Opening translation reserve	148	-
Expenses for equity settled options charged to PL	73	148
Closing hedging reserve	221	148

See also note 32, Share Capital.

Parent Company Income Statement

TSEK	Note	2007	2006
Administrative expenses	10	-1 671	-2 262
Operating profit/loss		-1 671	-2 262
Profit/loss from financial investments			
Finance income	15	580	38
Finance costs	15	-141	-10
Profit/loss after financial items		-1 233	-2 234
Tax on net profit for the year	16	90	-
Net loss for the year		-1 143	-2 234

Parent Company Balance Sheet

TSEK	Note	Dec 31, 2007	Dec 31, 2006
NON-CURRENT ASSETS			
<i>Financial non-current assets</i>			
Participations in Group companies	24	210 340	210 340
TOTAL NON-CURRENT ASSETS		210 340	210 340
CURRENT ASSETS			
Receivables with Group companies		10 099	9 629
Other receivables		3	2
Prepaid expenses and accrued income	29	107	142
Cash and cash equivalents	31	4 445	6 509
TOTAL CURRENT ASSETS		14 654	16 282
TOTAL ASSETS		224 994	226 622
Equity and liabilities			
TSEK	Note	Dec 31, 2007	Dec 31, 2006
EQUITY			
Share capital	32	5 414	5 414
Statutory reserve		247 966	247 965
Total restricted equity, Parent Company		253 379	253 379
Share premium reserve		12 291	12 291
Retained earnings		-40 331	-38 327
Net profit/loss for the year		-1 143	-2 234
Total non-restricted equity in Parent Company		-29 182	-28 270
TOTAL EQUITY		224 197	225 109
CURRENT LIABILITIES			
Trade payables		568	25
Liabilities with Group companies		63	629
Accrued expenses and deferred income	33	166	859
Total current liabilities		797	1 513
TOTAL LIABILITIES		797	1 513
TOTAL EQUITY AND LIABILITIES		224 994	226 622
Memorandum items			
PLEDGED ASSETS		None	None
CONTINGENT LIABILITIES	35	None	400

Parent Company Cash Flow Statement

TSEK	Note	2007	2006
Operating activities			
Profit/loss after financial items		-1 233	-2 234
Cash flow from operating activities before changes in working capital		-1 233	-2 234
Cash flow from changes in working capital			
Increase(-)/decrease(+) in operating receivables		-115	11 241
Increase(+)/decrease(-) in operating liabilities		-716	605
Cash flow from operating activities		-2 064	9 612
Investing activities			
Investments in financial assets		-	-20 097
Cash flow from investing activities		-	-20 097
Financing activities			
New share issue		-	12 401
Cash flow from financing activities		-	12 401
Cash flow for the year		-2 064	1 916
Cash and cash equivalents at beginning of year		6 509	4 593
CASH AND CASH EQUIVALENTS AT END OF YEAR	31	4 445	6 509

Parent Company Statement of Changes in Equity

TSEK	Restricted equity			Non-restricted equity		Retained earnings	Total equity
	Number of shares	Share capital	Statutory reserve	Share premium reserve	Share premium reserve		
Opening balance 2006	53 045 169	5 305	-	247 965	-	-38 327	214 943
Reduction of share premium reserve			247 965	-247 965	-	-	-
Net profit for the year		-	-	-	-	-2 234	-2 234
Total changes of wealth, excluding transactions with the Company's owners		-	247 965	-247 965	-	-2 234	-2 234
New share issue	1 093 750	109			12 291	-	12 400
Closing equity 2006/Opening equity 2007	54 138 919	5 414	247 965	-	12 291	-40 561	225 109
Group contribution						231	231
Changes of wealth recognised directly against equity, excluding transactions with the Company's owners		-	-	-	-	231	231
Net profit/loss for the year		-	-	-	-	-1 143	-1 143
Total changes of wealth, excluding transactions with the Company's owners		-	-	-	-	-912	-912
Closing equity 2007	54 138 919	5 414	247 965	-	12 291	-41 473	224 197

See also note 32, Share Capital.

Notes

Note 1 General information

Global IP Solutions (GIPS) Holding AB (publ) (“the Parent Company”) and its subsidiaries (together “the Group” or “the Company”) are an internationally operating innovator in IP voice and video processing software for real-time communications. GIPS delivers IP multimedia solutions to power and enhance its customers’ core communications products and services. The Company’s technology enables its customers to deliver IP communications solutions with enhanced quality and reliability. The Company’s products are integrated into VoIP and IP multimedia systems and software applications from worldwide leaders in telecommunications and software.

The Company is a Swedish public limited liability company (Sw: “aktiebolag”) with the Corporate Identity Number 556573-9017 and with the registered business address Magnus Ladulåsgatan 63 B, 118 27 Stockholm, Sweden, phone: +46 8 410 39 800, established under and governed by the laws of Sweden.

These consolidated financial statements were approved for publication by the Board of Directors on 19 May 2008. The consolidated financial statements may be changed by the Company’s owners after approval by the Board.

Unless otherwise specifically stated, all amounts are stated in thousands of USD (TUSD) for the Group and thousands of Swedish kronor (TSEK) for the Parent Company.

Figures in parentheses refer to the year 2006.

Note 2 Summary of significant accounting policies

Accounting policies

The principle accounting principles applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The effects of the transition to IFRS are described in Note 40.

Basis of preparation

The consolidated financial statements of the GIPS Group have been prepared in accordance with the Swedish Annual Accounts Act, Recommendation RR 30:06 “Supplementary Accounting Regulations for Groups” and the International Financial Reporting Standards (IFRS), as adopted by the EU. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Parent Company applies the Swedish Annual Accounts Act and Recommendation RR 32:06, Accounting for Legal Entities. Those cases in which the Parent Company applies accounting principles that differ from the Group are stated separately at the end of this note.

Introduction of new accounting standards

The following standards, interpretations and amendments to standards have been issued but have not become effective before 31 December 2007 and have not been adopted by the Group:

IAS 1 Presentation of Financial Statements

This amendment to the standard, which is aimed at improving users' ability to analyze and compare the information in the financial statements, became effective on 1 January 2009 and is applicable for financial years beginning as of this date. GIPS has not yet evaluated how this amendment will affect the preparation of the Group's financial statements.

IAS 23 Borrowing costs

The main amendment to this standard is that the option of immediately expensing certain borrowing costs has been removed. This applies to borrowing costs attributable to assets taking a substantial period of time to get ready for use or sale. Such borrowing costs must now be capitalized. IAS 23 is effective as of 1 January 2009. GIPS' preliminary assessment is that the application of IAS 23 will not have any impact on the Group's financial statements as the Group does not finance its assets through borrowings.

IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective from 1 July 2009).

The amendment to the standard is still subject to endorsement by the European Union. The change implies, among other things, that minority interests shall always be recognized, even if the minority interest is negative, transactions with minority interests shall always be recorded in equity and, in those cases in which the partial disposal of a subsidiary results in the entity losing control of the subsidiary, any remaining interest should be revalued to fair value. The change in the standard will influence the accounting of future transactions.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (amendment) - Puttable Instruments and Obligations Arising on Liquidation (effective from 1 January 2009).

The amendments classify the following types of financial instruments as equity, provided that they have particular features and meet specific conditions:

- puttable financial instruments (for example, some shares issued by co-operative entities)
- instruments, or components of instruments, that impose on the entity an obligation to deliver, to another party, a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities).

The amendment will not have an impact on the Group's financial statements, as the Group does not hold any financial instruments with these features.

IFRS 2 Share-Based Payment (Amendment) – Vesting Conditions and Cancellations (effective from 1 January 2009).

The amendment to the standard is still subject to endorsement by the European Union. The amendment affects the definition of vesting conditions and introduces a new concept of "non-vesting conditions". The standard states that non-vesting conditions

should be taken into account in the estimate of the fair value of the equity instrument. Goods or services received by a counterparty that satisfies all other vesting conditions shall be accounted for, irrespective of whether the non-vesting conditions are satisfied. The amendment is not expected to have any impact on the financial statements of the Group.

IFRS 3 (Amendment) Business Combinations (effective from 1 July 2009)

The amendment to the standard is still subject to endorsement by the European Union. The amendment will have an effect on the manner in which future business combinations will be accounted for, i.e. the accounting of transaction costs, possible contingent considerations and business combinations achieved in stages. GIPS will apply the standard from 1 January 2010. The amendment shall be applied to business combinations for which the acquisition date is on or after 1 January 2010. The amendment to the standard will not have any impact on previous business combinations.

IFRS 8 Operating Segments

The standard is effective from 1 January 2009 and applies for financial years beginning as of that date. The standard applies to the breakdown of the Company's activities into different segments. According to IFRS 8, the Company must base this breakdown on the same basis as that used for internal reporting purposes and define reportable segments in accordance with this structure. GIPS' preliminary assessment is that this standard will not result in the reporting of any new or additional segments.

IFRIC 11 IFRS 2 Group and Treasury Share Transactions

This interpretation is effective from 1 March 2007 and applies for financial years beginning after that date. The interpretation provides guidance on the classification of share related compensation payments in cases where the Company buys back shares in order to meet its commitments and the reporting of options plans in subsidiaries

that apply IFRS. GIPS has applied IFRIC 11 effective from 1 July 2007, but this has not had any impact on the Group's financial statements.

IFRIC 12 Service Concession Arrangements

The interpretation takes effect from 1 January 2008 and applies for financial years beginning after that date. It applies to those arrangements in which a private company constructs an infrastructure to provide public services during a specific period of time. The company is paid for this service during the term of the agreement. GIPS will apply IFRIC 12 as of 1 January 2008, but this is not expected to have any impact on the Group's financial statements.

IFRIC 13 Customer Loyalty Programs

The interpretation takes effect from 1 July 2008 and applies for financial years beginning after that date. The interpretation clarifies how to account for and value commitments to supply goods or services free of cost or at a discounted rate to customers who have qualified for this, e.g. by collecting points on their purchases. GIPS will apply IFRIC 13 as of 1 July 2008, but it is not expected to have any impact on the Group's financial statements.

IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The interpretation takes effect from 1 January 2008 and applies for financial years beginning after that date. GIPS will apply IFRIC 14 as of 1 January 2008, but it is not expected to have any impact on the Group's financial statements.

Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights, or in which the Group exercises a controlling influence through agreements. Subsidiaries are

fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost of acquisition is less than the fair value of the assets, liabilities and contingent liabilities of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in order to ensure consistency with the policies adopted by the Group.

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary. Divestments to minority interests in which the consideration received differs from the carrying value of the divested share of net assets result in a gain or loss. This gain or loss is recognized in the income statement.

Associates

Associates are all entities over which the Group has a significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group currently has no associates.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. Segment information is presented only for the Group, in accordance with IAS 14. For a detailed description, see Note 7.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in USD, which is the Group's functional and presentation currency. For the Parent Company, Swedish kronor (SEK) is the functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Exchange rate differences arising from lending and borrowing are recognized in net financial items, while other translation

differences are recognized in operating profit.

The following exchange rates have been used in the Group:

	2007		2006	
	Closing	Average	Closing	Average
SEK	0.15	0.15	0.15	0.14
JPY	2.69	2.55	2.52	2.38
HKD	0.13	0.13	-	-
KOR	22.26	19.02	-	-

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the Group's presentation currency as follows:

- a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- b) income and expenses for each income statement are translated at the rate on the date of the transaction.
- c) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity.

Cash flow statements

Cash flow statements are prepared using the indirect method. Reported cash flows only comprise transactions resulting in incoming or outgoing payments. Cash and cash equivalents in the cash flow statement have the same definition as cash and cash equivalents in the balance sheet.

Income

Revenue recognition

Revenue is reported at fair value after deductions for discounts, value-added tax (VAT), etc. License fees are typically recognized in their entirety when the components have been delivered. However, some license fees are for a period of usage, which results in ratably recognized revenue over the period. Additionally, depending on the creditworthiness of customers and the terms of payment, certain agreements are limited in recognition by cash received or the due date of invoices.

Royalty revenue is recognized as the products are used by the customer. For agreements with fixed royalty terms, recognition occurs at defined intervals over the life of the agreement. Agreements with variable royalties result in recognition of revenue when royalty reports are received from the customer, which indicate that royalties are due.

Maintenance and support revenue is the fee customers pay for the right to upgrade software to new versions, as well as fees for customer support. These fees do not include consulting expenses for the installation of updated software. Maintenance revenue is reported according to the straight-line method over the lifetime of the contract.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible

assets'. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Capitalized development expenses

Capitalized development expenses refer primarily to expenses for the products VoiceEngine™ and High Quality Codecs.

Costs of research are charged to expense when they arise.

Costs incurred in development projects (attributable to the design and testing of new or improved products) are recognized as intangible assets when the following criteria have been met:

- a) it is technically possible to complete the intangible asset so that it can be used or sold,
- b) management intends to complete the intangible asset and use it or sell it,
- c) prospects exist to use or sell the intangible asset,
- d) it can be shown how the intangible asset will generate likely future economic benefits,
- e) adequate technical, economic, and other resources for completing the development and for using or selling the intangible asset are available, and
- f) the expenses attributable to the intangible asset during its development can be reliably calculated.

Other development expenses that do not meet these conditions are recognized as an expense when they arise. Development

expenses that have previously been recognized as an expense are not recognized as an asset in the following period.

Capitalized development expenses are recognized as intangible assets and an asset is amortized on a straight-line basis over its estimated useful life from the time when the asset is ready to be used (3 years).

Software

Acquired software is recognized at cost. Software has a defined useful life and is recognized at acquisition value less accumulated amortization. To distribute the cost of software, the assets are amortized on a straight-line basis over their estimated useful lives (5 years).

Patents

Investments in patents include the costs of legal advisors and other professional services necessary to develop and maintain the Company's intellectual property portfolio and trademarks. Acquired patents are shown at historical cost. Patents have a finite useful life and are carried at cost less amortization. Amortization is calculated using the straight-line method to allocate the cost of patents over their useful lives (7 years).

Property, plant and equipment

Property, plant and equipment consist primarily of office furniture, computer equipment, and leasehold improvements.

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the asset's cost to its residual value over the estimated useful life, as follows:

- Office furniture 5 years
- Computer equipment 3 years
- Leasehold improvements 3-5 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other (losses)/gains - net" in the income statement.

Impairment of non-financial assets

Assets that have an indefinite useful life and capitalized development expenses that have not yet been taken into use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized equal for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. The group has written down the acquired goodwill and acquired intangible assets related to the acquisition of CrystalVoice. See Note 38.

Leases

Fixed assets used under a leasing arrangement are classified in accordance with the economic content of the lease.

Leasing objects that are used under a financial leasing arrangement are reported as fixed assets and future leasing fees are recognized as interest-bearing liabilities. No financial leases existed on balance sheet date. Other leases are classified as operational leasing. Payments made during the period of lease (less any incentives from the lesser) are expensed in the income statement on a straight-line basis over the period of lease.

Financial assets

The Group classifies its financial assets into the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

General principles

Financial assets carried at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss category' are presented in the income statement within "other (losses)/gains - net". Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments

that are substantially the same, discounted cash-flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

GIPS Auction-rate securities (ARS) are classified in this category. An auction rate security (ARS) is a debt instrument with a long-term nominal maturity for which the interest rate is reset through a dutch auction. In a dutch auction, a broker-dealer submits bids, on behalf of current and prospective investors, to the auction agent. Based on the submitted bids, the auction agent will set the next interest rate by determining the lowest rate to clear the total outstanding amount of ARS. ARS holders do not have the right to put their securities back to the issuer; as a result no bank liquidity facility is required. Due to a general downturn in the capital markets, ARS have proven difficult to liquidate since February 2007.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. GIPS' loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

Regular purchases and sales of financial assets are recognized on the transaction date, i.e. the date on which the Group undertakes to buy or sell the asset. Financial instruments are initially recognized at fair value plus transaction costs, for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the right to receive cash-flows from investments have expired or substantially all risk and rewards of ownership have been transferred. Loans and receivables are carried at amortized cost using the effective interest method.

GIPS assesses, at each balance sheet date, whether there is objective evidence that a financial asset or group of assets is impaired. Impairment testing of trade receivables is described in the section "Accounts receivables".

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

Cash and cash equivalents

In the balance sheet, cash and cash equivalents includes cash and bank balances that are expected to be settled no later than

12 months from the accounting date. In the cash-flow statement, cash and cash equivalents comprise the cash and bank balances described in Note 31.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Income taxes

Reported income taxes comprise tax that is payable or due regarding the current year, adjustments relating to current tax for previous years and changes in deferred tax.

Valuations of all tax liabilities/assets are made at nominal amounts in accordance with tax rules and at tax rates that have been decided or notified and are highly likely to be confirmed.

For items reported in the income statement, the associated tax effects are also reported in the income statement. Tax effects relating to items that are charged or credited directly to equity are recognized in equity.

Deferred income tax is determined according to the balance sheet method on all temporary differences between the carrying amount and the tax basis of assets and liabilities.

Deferred tax assets relating to tax loss carry-forwards or other future tax deductions are recognized to the extent that it is likely that the loss can be off set against profits in the future. Deferred tax liabilities relating to temporary differences that are attributable to investments in subsidiaries and branch offices are not reported in the consolidated financial statements, as the Parent Company is, in every case, able to control the timing of the reversal of the temporary differences and it is not deemed likely that a reversal will be made in the foreseeable future.

Employee benefits

Pension obligations

For defined contribution pension plans, GIPS pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Termination benefits

Termination benefits are payable when employment is been terminated by GIPS before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. GIPS recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Share-based compensation

The Company makes share-based awards to certain employees and Directors of the Group. The expense recognized in the financial statements relates only to those share-based awards that are granted by the Company, to its employees and Directors and to the employees of the Group who provide services to the Company.

GIPS has two types of options: cash-settled options and equity settled options.

Cash-settled awards

For cash-settled awards, the fair value is recalculated at each balance sheet date until the awards are settled on the basis of the estimated number of awards that are expected to be vested, adjusted for market

and non-market based performance conditions. During the vesting period, a liability is recognized representing the portion of the vesting period which has expired at the balance sheet date, times the fair value of the awards at that date. After vesting, the full fair value of the unsettled awards at each balance date is recognized as a liability. Movements in the liability are recognized in the profit and loss account. The fair value is recalculated using an option pricing model (refer to Note 39).

Social security expenses are included as a liability in accordance with URA 46.

Equity-settled awards

For equity-settled awards, the fair value is charged to the profit and loss account and credited to retained earnings on a straight line basis over the vesting period, after adjustment for the estimated number of awards expected to be vested. The fair value of equity-settled awards is determined at the date of the grant. The fair value is determined by external valuation using the Black & Scholes model, as outlined in Note 39. At each balance sheet date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to be vested is computed. The movement in cumulative expense is recognized in the profit and loss account with a corresponding entry within equity. No expense is recognized for awards that are not ultimately vested.

The Group has taken advantage of the transitional provisions on the adoption of these policies in relation to unvested equity-settled awards and has applied the above policies only to awards granted after 7 November 2002 that had not been vested prior to 1 January 2006.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the

weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The potential dilutive category in GIPS is share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Parent Company's accounting policies

As of the financial year 1 January 2007–31 December 2007, the Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act and Recommendation RR 32:06 of the Swedish Financial Accounting Standards Council, "Accounting for Legal Entities." Under RR 32:06, all EU adopted IFRS standards and statements must be applied in the Parent Company's income statement for the legal entity, to the extent this is possible under the Annual Accounts Act and taking account of the relationship between accounting and taxation. The recommendation states the exceptions and additions that need to be made in comparison with IFRS accounting.

Differences between the Group's and the Parent Company's accounting policies

The differences between the Group's and Parent Company's accounting policies are described below. The following accounting policies have been consistently applied to all periods presented in the Parent Company's financial statements.

Form of presentation for income statement and balance sheet

The Parent Company uses the templates for income statement and balance sheet found in the Swedish Annual Accounts Act. This means that the presentation of equity is

different and that provisions are reported as a separate main heading in the balance sheet.

Participations in Group companies

Shares and participations in subsidiaries are valued at historical cost less write-down.

Note 3 Related party transactions

One employee within the GIPS Group, Mr. Taro Arakawa, has received a loan from Global IP Solutions Inc in the amount of TUSD 100. The current outstanding balance on this loan is TUSD 42. The loan bears an annual interest of 3%.

After balance sheet date, several larger shareholders in the Company entered into a guarantee consortium whereby they guarantee the subscription of shares in the Rights Offering in April 2008. As compensation, the guarantors will receive a commission of 3% of the amount of their respective undertaking under the guarantee agreement. This amounts to approximately 305 TUSD.

Note 4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including considerable currency risk and price risk as regards the GIPS share), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by central Group Finance in headquarters in San Francisco.

a) Market risk

i) Foreign exchange risk

GIPS operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily between USD and SEK. The Group's exposure to changes in exchange rates can be described as translation exposure.

GIPS attempts to limit foreign exchange risk by carrying out business transactions in the Company's functional currency, as well as by other means. However, the Group companies' expenses, primarily salary-related expenses, are occasionally made in other currencies than the functional currency, creating an exposure to currency risk.

Translation exposure

Items included in each individual subsidiary's annual report are calculated on the basis of the currency in which the subsidiary has its primary finances and/or its legal domicile (functional currency). The Group's annual report is presented in USD, which is the Group's presentation currency. Translations from each company's functional currency into USD do not give rise to any cash flows.

GIPS writes all of its revenue contracts in the group's functional currency, USD. Certain invoices, less than 2 percent, must be converted to local currency, depending on the customer's country. The exposures are mainly on expenses, regarding which about half of the company's expense is in USD, with about one quarter in SEK and the remainder in the currencies HKD, JPY and EUR. The above circumstance also applies to 2006.

If all currencies were 5% higher/lower, the Group's results would be approximately -/+ TUSD 347 (2006: TUSD 301) due to the exposure in the balance sheets of the individual Group companies and in the consolidated balance sheet.

The Group's trade receivables have the following currency distributions

	2007-12-31	2006-12-31
USD	3 201	5 908
SEK	66	88
Impaired	-1 290	-400
Closing balance	1 977	5 596

ii) Price risk

Certain of the Company's share-based payments are classified as cash-based

payments, which has, historically, obligated the company to indirectly provide cash to the option holder. If GIPS share price was 10 % higher/lower, the Group's results and liabilities for cash-settled payments would have been +/- TUSD 98 (2006: TUSD 1014). Net profit would have been affected by the same amounts.

For other estimated variables in the valuation model, see Note 5 under the section "*Valuation of cash base share payments*"

iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the Group is negatively affected by changes in the interest rate level. As GIPS has no borrowings, this risk is limited. However, an increase in interest rates will affect the value of the share-based payment liability (see above) and the auction-rate securities, see below.

(b) Credit risk

Credit risk is managed at Group level. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to the Group's customers, including outstanding receivables and committed transactions.

The Company has an investment policy which allows for the investment of excess cash not required for current operating needs to be invested in AAA S&P rated securities (both U.S. Government or corporate issuers) with a typical maturity of less than 90 days.

GIPS has auction-rate securities (ARS) at a value of 2.25 million USD. ARS are an interest-bearing instrument that has been treated as Financial Investments in the Company's accounts. ARS are traded weekly in an auction market. GIPS holds ARS having a seven day maturity period. Due to recent events in the market, ARS have been difficult to liquidate. This may have effects for GIPS' liquidity. See also

Note 5 and "*Estimated impairment of auction rate securities*"

The Company qualifies its customers for credit through an established set of procedures including a credit application, recent financial statements, bank references and assessments by third party credit agencies such as Dunn & Bradstreet. In addition, the Company aggressively pursues late and non-paying customers through several means, including suspension of maintenance and support, default and breach notification collection agents and attorneys.

The maximum credit risk is the book value of the exposed assets.

The following tables present the gross value of receivables by ageing category together with the related impairment provisions.

2007

Trade receivables	Gross	Impaired
Not yet due	788	-
Overdue 1-30 days	583	-
Overdue 31-60 days	139	-
Overdue 61-90 days	312	-16
Overdue over 90 days	1 444	-1 274
Closing balance	3 267	-1 290

2006

Trade receivables	Gross	Impaired
Not yet due	2 420	-
Overdue 1-30 days	982	-
Overdue 31-60 days	154	-
Overdue 61-90 days	881	-
Overdue over 90 days	1 559	-400
Closing balance	5 996	-400

Of the total receivables impaired, the gross amount is TUSD 1 290 (400).

(c) Liquidity risk

The Group's liquidity risk arises from a shortage of cash and cash equivalents with which to settle its financial commitments. The risk is managed in the Group, where Group Finance ensures that there are sufficient cash and cash equivalents and sufficient financing.

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The following table shows the financial liabilities of the Group to be settled net, allocated on the basis of the time remaining until the contractual maturity date on balance sheet date. The stated amounts are the contractual undiscounted amounts.

TUSD	Book value	Due within 1 year	Due after 1 year but within 5 years	Due after 5 years
December 31, 2007				
Accounts payable and other liabilities	5 981	5 981	381	-
Total	5 981	5 981	381	-
December 31, 2006				
Accounts payable and other liabilities	6 045	5 998	47	-
Total	6 045	5 998	47	-

1) Liabilities for cash-settled options are not considered since they are not contractual and also will be modified to equity settled options in 2008. For the expected due for these, see note 34.

On 31 December 2007, the Group had cash and cash equivalents of TUSD 3 896. The Group had no credit facilities.

The current cash and cash equivalents at 31 December 2007 will not last beyond the second quarter 2008, and are not sufficient to fund the Company going forward. The Board has decided that it would require an additional MUSD 4-5 to fund its operations for the next 12 months. For this reason, the Company has offered the existing shareholders a new share issue in March 2008. In the opinion of the Company, the net proceeds from the share offering of 9 970 USD are sufficient to fund its present working capital requirements and operations for the next 12 months.

The Company has not entered into any commitments with respect to future investments or additional tangible fixed assets.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an

optimal capital structure to reduce the cost of capital.

Considering future growth, the Board considers that equity financing is preferable at this stage. Based on the position as per year end 2007, the Company does not possess distributable funds and is unable to pay dividends without a reallocation of shareholders' equity. Over time, the Company will distribute profits to its shareholders, taking into account the Company's prospects, liquidity and financial position in general.

Note 5 Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are briefly discussed below.

Useful life of intangible fixed assets

Group defines the estimated useful life and consequent depreciation and amortization of the Group's intangible fixed assets. These estimates are based on historical knowledge of the useful lives of equivalent assets. The useful lives and estimated residual values of the assets are tested each balance sheet date and adjustments are made where required. For carrying amounts of intangible and tangible fixed assets on balance sheet dates, see Notes 18, 19 and 21.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered impairment, in accordance with the accounting policy stated in the section "Impairment of non-financial assets". The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 21).

An impairment charge of USD -4 839 arose in the Americas cash-generating unit during the course of the 2007 year, resulting in the carrying amount of the CGU being written down to its recoverable amount, which management estimated at zero. See Note 21.

Estimated impairment of auction rate securities

Auction rate securities are debt instruments with a long-term maturity and with an interest rate that is reset in short intervals through auctions. The recent conditions in the global credit markets have prevented some investors from liquidating their holdings of auction rate securities because the amount of securities submitted for sale has exceeded the amount of purchase orders for these securities. If there is insufficient demand for the securities at the time of an auction, the auction may not be completed and the interest rates may be reset to predetermined higher rates. When auctions for these securities fail, the investments may not be readily convertible to cash until a future auction of these investments is successful or they are redeemed or mature. GIPS have estimated that this market condition is temporary. If the credit ratings of the security issuers deteriorate and any decline in market value is determined to be other-than -temporary, GIPS would be required to adjust the carrying value of the investment through an impairment charge. To date, GIPS have not recorded any realized gains or losses related to our auction rate securities or recognized any significant unrealized gains or losses on investments.

Valuation of cash-settled share-based payments

As the liability related to the cash base payments is based on the fair value of the outstanding vested options, the inputs in the valuation model (Black & Scholes) are dependent on the outcome. The major variables for estimates are time to maturity and volatility.

If 60 percent rather than 40 percent have been used in volatility, the liability would have increased from TUSD 545 to TUSD 673. Net profit would have been reduced by TUSD 128.

If an estimated time to maturity of 3 years, rather than 5 years had been used, the liability would have increased from TUSD 545 to TUSD 851. Net profit would have been reduced by TUSD 306.

For the input data used in the model, see Note 39.

Capitalization of intangible assets

Swedish GAAP, as outlined by the Swedish Accounting Standards Board, does not require the capitalization of intangible assets and the Company consequently had no system for tracking time expended on development projects, the Group has made estimates and assumptions regarding the time spent on development activities and the points in time at which various projects fulfilled the criteria for capitalization of IAS 38.

Revenue recognition

For a Software Company, management's judgment is required, in a number of cases, to determine if and how revenue should be recognized and to determine fair values, in the complex bundling of products, services and rights to use assets into one customer offering (as regards whether GIPS should recognize the separate items up-front or defer); the sales of Indefeasible Rights of Use; and in assessing the degree of completion in service and construction contracts.

Trade receivables

GIPS' allowance for doubtful receivables reflects estimated losses that result from the inability of customers to make required payments. Management determines the size of the allowance, based on the likelihood of recoverability of accounts receivable and taking into account actual losses in prior years and current collection trends. Should

economic or specific industry trends worsen compared to management estimates, this allowance may have to be increased.

Critical judgments in applying the Company's accounting policies

No critical judgments have been made regarding accounting policies.

Allocation of fixed assets by segment and goodwill to cash-generating units

The primary segments use certain shared assets. In the accounts, assets that are shared by the various segments have been allocated on the basis of the business volumes of each segment. This is considered to be a reasonable basis for allocation, as it takes account of each segment's use of the asset.

Note 7 Segmental information

Primary reporting format – geographical segments

Geographic areas provide products and services within an economic environment that is exposed to risks and opportunities that differ from those of other economic environments. The GIPS Group regards the geographical areas of the Americas, Europe and Asia as primary segments.

Shared costs have been divided on the basis of estimates of each segment's use of resources, which normally corresponds to business volume.

Segment assets consist primarily of equipment, intangible assets, trade and other receivables and cash and cash equivalents. Unallocated assets comprise auction-rate securities and deferred tax assets.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as deferred tax liabilities and liabilities for share-based payments.

Investments comprise additions to equipment (Note 22) and intangible assets (Notes 18, 19 and 20), including additions resulting from acquisitions through business combinations (Note 39).

Secondary reporting format – sales category segments

A segment is a group of assets and business operations providing products or services that are exposed to risks and opportunities differing from those affecting other segments.

An equivalent allocation has been made for shared Group costs.

Note 6 Purchases and sales among Group companies

Purchases and sales among Group companies totaled KSEK 523 (1 498) in the Parent. Of the Parent Company's total income for sales, 0 percent (0) refers to other companies within the Group.

Purchases and sales among Group companies are subject to the same pricing principles as transactions with external parties.

The Group has the following primary segments:

	Americas		Europe		ASIA		Inter company & Unallocated		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
External income	7 396	8 554	3 950	3 852	3 083	4 684	-	-	14 428	17 089
Total income	7 396	8 554	3 950	3 852	3 083	4 684	-	-	14 428	17 089
Gross profit	6 497	7 518	3 574	2 814	2 753	4 529	-	-	12 824	14 861
Operating profit/loss in segment	-13 678	3 611	2 698	1 144	5 163	5 235	-1 396	-814	-7 213	9 177
Operating profit/loss									-7 213	9 177
Finance income									987	685
Finance costs									-300	-144
Profit/loss after financial items									-6 526	9 717
Taxes									-1 750	420
Net profit/loss for the year									-8 276	10 137
Assets	6 206	13 673	3 314	6 157	2 587	7 487	2 250	2 480	14 357	29 796
Liabilities	2 787	3 026	1 488	1 362	1 162	1 657	1 034	8 344	6 471	14 389
Investments	2 518	1 445	1 345	651	1 049	791	-	-	4 912	2 887
Impairment of goodwill and intangible assets	6 122	-	685	-	535	-	-	-	7 343	-
Depreciations	1 073	290	573	131	447	159	-	-	2 093	579
No. of employees	43	25	16	20	11	11	-	-	70	56

Secondary segments – product areas

	Products		Services		Inter company & Unallocated		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
External income	11 737	14 611	2 555	2 478	137	-	14 428	17 089
Total income	11 737	14 611	2 555	2 478	137	-	14 428	17 089
Total income							14 428	17 089
Assets	9 963	23 355	2 144	3 961	2 250	2 480	14 357	29 796
Investments	3 996	2 469	870	419	47	-	4 912	2 887

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Segment assets/ liabilities	12 107	5 437	27 316	6 045
Unallocated:				
Deferred tax	-	489	2 480	287
Auction rate securities	2 250	-	-	-
Share-based payments liabilities	-	545	-	8 056
Total	14 357	6 471	29 796	14 389

Note 8 Net sales by category

	Group	
	2007	2006
Licenses	5 583	6 926
Services	2 555	2 478
Royalty	6 290	7 685
Total sales	14 428	17 089

Note 9 Audit fees

	Group		Parent Company	
	2007	2006	2007	2006
Öhrlings PricewaterhouseCoopers				
Audit assignments	252	61	-	-
Audit related	334	40	-	-
TOTAL	586	101	-	-

Audit assignments include the examination of the annual accounts and bookkeeping and the administration of the Board and CEO, other tasks that are incumbent upon the Company's auditor to perform and advice or other assistance occasioned by observations made in the course of such

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examination or the performance of such other tasks. Everything else is categorized as audit related.

Note 10 Expenses by nature

	Group		Parent Company	
	2007	2006	2007	2006
Employee benefit expense	12 591	7 991	-	-
Capitalized development expenses (see note 18)	-1 570	-525	-	-
Share-based payments (see note 39)	-7 438	-1 163	-	-
Depreciation (see note 11)	2 093	579	-	-
Product costs (COGS)	1 605	2 229	-	-
Operating lease payments (see note 12)	1 109	442	-	-
Other expenses	5 421	2 214	1 671	2 262
Writedowns & depreciation (see note 14)	7 829	-	-	-
Total operating expenses	21 640	11 766	1 671	2 262

Note 11 Depreciation

	Group		Parent Company	
	2007	2006	2007	2006
Patents	140	69	-	-
Software	1 325	159	-	-
Capitalised development expenditure	417	316	-	-
Equipments	211	34	-	-
Total depreciation/amortisation	2 093	579	-	-

Depreciation is included in the cost of the respective functions as follows:

	2007	2006	2007	2006
Selling expenses	1 003	164	-	-
Administrative expenses	279	65	-	-
Other operating expenses	811	350	-	-
Total depreciation	2 093	579	-	-

Note 12 Operating lease agreements

Future undertakings to pay in the Group for non-terminable operating lease agreements are allocated as follows:

	Group		Parent Company	
	2007	2006	2007	2006
Within 1 year	799	1 023	-	-
Between 2-5 years	1 431	1 804	-	-
Later than 5 years	-	-	-	-
Total undertakings to pay	2 230	2 827	-	-

In addition to rental properties, lease objects are primarily comprised of a large number of transport vehicles. Other leasing objects refer to IT and office equipment. For a smaller number of objects, the assessment is that, in reality, it is possible to prematurely discontinue agreements entered into.

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	The Group		Parent Company	
	2007	2006	2007	2006
The year's cost regarding operational leasing of assets amounts to:	1 109	452	-	-
of which rent for premises	1 081	421	-	-

GIPS has no financial leases.

Note 13 Personnel

Average number of employees

	2007		2006	
	Total	of whom women	Total	of whom women
Parent Company				
Sweden	-	-	-	-
Group companies				
USA	43	8	25	7
Sweden	16	3	20	3
Hong Kong	7	1	11	1
Japan	3	-	-	-
Korea	1	1	-	-
GROUP TOTAL	70	13	56	11

Members of the Board and other senior management in the Group (inc. subsidiaries)

	2007		2006	
	Number on balance sheet date	of whom women	Number on balance sheet date	of whom women
Members of the Board	6	-	6	-
Managing Director and other senior management	7	1	7	1
GROUP TOTAL	13	1	13	1

Salaries, other remuneration and social security contributions

	2007		2006	
	Salaries and other remunerations	Social security contributions (of which pensions)	Salaries and other remunerations	Social security contributions (of which pensions)
TUSD				
Parent Company	-	-	-	-
		(-)		(-)
Group companies	9 127	1 222	4 763	941
		(262) ¹⁾		(169) ¹⁾
GROUP TOTAL	9 127	1 222	4 763	941
		(262)¹⁾		(169)¹⁾

1) Of the Group's pension costs, 24 (15) applies to the Board of Directors.

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Salaries and other remunerations, classified according to country and between Board members, etc and employees

TUSD	2007		2006	
	Board of Directors and Managing Director (of which	Other employees	Board of Directors and Managing Director (of which	Other employees
Parent Company	-	-	-	-
	(-)		(-)	
Group companies				
USA	1 805	5 059	1 065	2 087
Sweden	90	1 103	150	1 043
Hong Kong	-	916	-	419
Japan	-	68	-	-
Korea	-	85	-	-
Total subsidiaries	1 895	7 232	1 215	3 548
	(-)		(-)	
GROUP TOTAL	1 895	7 232¹⁾	1 215	3 548
	(-)		(-)	

Remuneration to management

In 2007, remuneration to the Board of Directors totaled TUSD 170. There are no agreements regarding bonuses to any member of the Board, and the Company has not granted any loans or made any other commitments to any member of the Board.

In 2007, total remuneration to the senior management of GIPS was TUSD 1,738. The Company did not pay any other compensation to any member of management. All members of management were remunerated through employment in subsidiaries. The Company has not granted any loans or other commitments to any member of management. The Company's executive management bonus plan is based on the achievement of both Company and individual goals and varies for each individual executive. In certain circumstances, the Company provides an initial hiring bonus which is variable and discretionary. With the exception of the VP of sales, the maximum bonus to any individual executive does not exceed 50% of base salary.

Remuneration and other benefits during 2007

	Remuneration to Board of Directors/ Basic salary	Flexible remuneration	Other benefits	Pension costs	Share-based payments	Total
Board						
Ditlef DeVibe - Chairman of the Board	75	-	-	-	-	75
Other members of the Board	143	-	12	24	-369	-190
Management						
Gary Hermansen - former CEO	196	26	-	-	-1 591	-1 370
Management (8 persons)	1 089	198	-	-	-1 603	-316
TOTAL	1 503	224	12	24	-3 563	-1 801

(1) Mr. Hermansen, the former CEO, left the Company in September 2007. Mr Hermansen's bonus of TUSD 25 included TUSD 20 related to performance for 2006

(2) The decreased liability for cash-settled payment has entailed income for personnel

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Remuneration and other benefits during 2006

TUSD	Remuneration to Board of Directors/ Basic salary	Flexible remuneration	Other benefits	Pension costs	Share-based payments	Total
Ditlef DeVibe - Chairman of the Board	75	-	-	-	-	75
Other members of the Board	95	-	-	15	-	110
<u>Management</u>						
Gary Hermansen - CEO	210	86	-	-	-113	183
Other management (5 persons)	934	237	125	-	-1 407	-110
TOTAL	1 314	323	125	15	-1 520	258

Mr Emerick Woods, the new CEO as of 1 April 2008, will receive an annual base salary of TUSD 325, with a bonus of not more than TUSD 375 per calendar quarter, based on performance. The General Meeting of Shareholders in the Company on 18 March 2008 approved the issue of 2 706 946 warrants for a subscription to new shares in the Company at a subscription price based on the average price paid for the shares over ten consecutive trading days ending on 31 March 2008. Mr Woods will be entitled to subscribe to shares by the use of warrants, but subject to a Stock Restriction Agreement that restricts his possibilities to dispose of the shares during an agreed period of time. According to Mr Woods' employment agreement, he is entitled to request that payment for the shares shall be made through the issuance of an interest-bearing promissory note. The right to dispose of the shares will vest over a period of four years from 1 April 2008. The first vesting will be on 1 April 2009 and will comprise 25% of the total amount of restricted shares. Thereafter, 1/36 of the remaining shares will vest each month over a period of three years. Mr Woods will be entitled to 12 months severance pay in the event of termination of his employment without cause or, in certain cases, upon his own resignation, such as in the event of breach of contract by the employer.

Proposal for determining the principles for compensation and other conditions of employment for company management in 2008

Senior management is the CEO and seven other persons with senior positions within the Group. The Board proposes that the remuneration paid shall be in the form of fixed salary, variable salary based on performance and outcome, and long-term variable remuneration through incentive programs. Senior management shall have the same benefits as other employees with respect to pensions and insurance. Severance pay shall normally only be granted to the CEO. The total remuneration for senior management shall be based on market conditions. The Board shall be entitled to deviate from the guidelines, in certain cases, if the Board deems that there are specific reasons for such deviation.

Note 14 Other income & other operating expenses

Other income	Group		Parent Company	
	2007	2006	2007	2006
Gain on settlement of lawsuit	-	3 000	-	-
Other gain	-	853	-	-
Total other income	-	3 853	-	-
Other operating expenses				
Impairment & depreciation of assets related to the acquisition of CrystalVoice	-7 350	-	-	-
Write-off of capitalized development expenditures	-479	-	-	-
Total other expenses	-7 829	-	-	-
Total other income & other expenses	-7 829	3 853	-	-

Note 15 Finance income and costs

	Group		Parent Company	
	2007	2006	2007	2006
Interest income				
Interest income	895	673	580	38
Interest income on financial investments (ARS)	90	-	-	-
Interest income on loans to related parties (note 3)	2	-	-	-
Other	-	12	-	-
Total financial income	987	685	580	38
Interest expenses and similar profit/loss items				
Interest expenses	-283	-128	-	-
Exchange rate differences	4	-35	-	-
Issuance Expense	-20	-29	-141	-10
Other	-	48	-	-
Total finance costs	-300	-144	-141	-10
Net finance income	687	541	439	28

Note 16 Taxes

Income tax expense

	Group		Parent Company	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Current tax	32	-229	90	-
Deferred tax	-1 782	649	-	-
Tax charge	-1 750	420	90	-

The Group's weighted average tax rate, based on the tax rates in each country, is 26.8% (4.3). The tax rate in Sweden is 28.0% (28.0).

Reconciliation between the Group's weighted average taxes, based on the respective country's tax rate, and the Group's actual taxes:

	Group		Parent Company	
	Dec 31, 2007 %	Dec 31, 2006 %	Dec 31, 2007 %	Dec 31, 2006 %
Profit/loss after financial items	-6 526	9 717	-1 233	-2 234
Weighted average tax, based on the respective countries' tax rates	1 827 -28,0	-2 721 -28,0	345 -28,0	626 -28,0
<i>Tax effect of:</i>				
Expenses not deductible for tax purposes	-2 445 37,5	-	-	-
Income not subject to tax	2 891 -44,3	1 481 15,2	-	-
Group contribution received	-	-	90 -7,3	-
Write-down of tax asset without corresponding write-down of underlying asset	-2 585 39,6	-	-	-
Loss carry-forward without corresponding capitalisation of deferred taxes	-351 5,4	-	-345 28,0	-626 28,0
Exercise of previous non-capitalised loss carry-forward	143 -2,2	-	-	-
Other inclusive differences in the Group's tax rate (28%) and other countries' tax rates	-1 232	947 9,7	-	-
Total actual taxes reported	-1 750 26,8	420 4,3	90 -7,3	-0 0,0

Tax loss carry-forward

Unutilized loss carry-forwards in the Group amounted to approximately TUSD 11 000 (9 300) and in the Parent Company to TUSD 9 700 (9 300) per 31 December 2007. All deficits have indefinite useful lives. No deferred tax regarding these loss carry-forwards has been reported.

Note 17 Earnings per share

Change in number of shares

TUSD	2007	2006
Shares in issue at beginning of period	54 138 918	53 045 168
New share issue	-	1 093 750
Shares in issue at end of period	54 138 918	54 138 918

Earnings per share, basic

Basic earnings per share is based on net profit/loss for the year attributable to equity holders of the Parent Company:

	2007	2006
Profit/loss for the year, TUSD, attributable to equity holders in Global IP Solutions Holding AB	-8 348	10 119
Average number of shares in issue	54 138 918	53 633 710
Earnings per share, USD	-0,15	0,19

Earnings per share, diluted

Diluted earnings per share is based on net profit/loss for the year attributable to equity holders of the Parent Company:

	2007	2006
Profit/loss for the year attributable to equity holders in Global IP Solutions Holding AB	-8 348	10 119
Average number of shares, diluted and with full exercise of warrants	56 821 579	56 316 371
Earnings per share, USD	-0,15	0,18

Note 18 Capitalized development expenditure

	Group		Parent Company	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Opening acquisition cost	1 467	942	-	-
Investments	1 570	525	-	-
Closing acquisition cost	3 037	1 467	-	-
Opening accumulated depreciation	-509	-192	-	-
Depreciation for the year	-417	-316	-	-
Closing accumulated depreciation	-926	-509	-	-
Opening accumulated impairment charges	-	-	-	-
Impairment charges for the year	-479	-	-	-
Closing balance impairment	-479	-	-	-
Net book value	1 631	958	-	-

All development expenses arose from internal development.

Impairment charges are related to the products Click to Talk and Remote Extension, which are held entirely within the segment Americas.

Note 19 Patents

	Group		Parent Company	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Opening acquisition cost	532	329	-	-
Investments	254	142	-	-
Translation difference for the year	37	62	-	-
Closing acquisition cost	823	532	-	-
Opening accumulated depreciation	-152	-64	-	-
Depreciation for the year	-140	-69	-	-
Translation difference for the year	-11	-19	-	-
Closing accumulated depreciation	-303	-152	-	-
Net book value	520	380	-	-

Note 20 Software

	Group		Parent Company	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Opening acquisition cost	2 396	296	-	-
Investments	2 686	2 133	-	-
Translation difference for the year	93	-33	-	-
Closing acquisition cost	5 175	2 396	-	-
Opening accumulated depreciation	-231	-67	-	-
Depreciation for the year	-1 325	-159	-	-
Translation difference for the year	-23	-4	-	-
Closing accumulated depreciation	-1 579	-231	-	-
Opening accumulated impairment charges	-	-	-	-
Impairment charges for the year	-2 025	-	-	-
Closing balance impairment charges	-2 025	-	-	-
Net book value	1 572	2 165	-	-

Note 21 Goodwill

	Group	
	Dec 31, 2007	Dec 31, 2006
Investments	4 839	-
Closing acquisition cost	4 839	-
Opening accumulated impairment charges	-	-
Impairment charges for the year	-4 839	-
Closing impairment charges	-4 839	-
Net book value	-	-

Impairment testing of goodwill

The identified goodwill of MUSD 4.8 has been written down in the fourth quarter of 2007. The reasons for the write-downs were:

1. GIPS has not seen any significant integration of the CrystalVoice products into the GIPS media products per the Company's product roadmap.
2. The market situation for CrystalVoice products has changed.

A segment-level summary of the goodwill investment and impairment is presented below.

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Segment	Investment	Writedown	Book value
Americas	4 839	-4 839	-
Closing balance	4 839	-4 839	-

The recoverable amount of CrystalVoice is determined on the basis of value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management, covering a four-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 5 percent, an EBITDA margin of 24 percent and a discount rate of 30 percent. The key assumptions used for the over the first four year period were a sale CAGR of 95 percent, a negative EBITDA margin and a discount rate of 30 percent. Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Note 22 Equipment

	Group		Parent Company	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Opening acquisition cost	850	698	-	-
Investments	402	87	-	-
Sales/disposals	-139	-	-	-
Translation difference for the year	130	65	-	-
Closing acquisition cost	1 242	850	-	-
Opening accumulated depreciation	-738	-648	-	-
Depreciation for the year	-211	-34	-	-
Translation difference for the year	-129	-55	-	-
Closing accumulated depreciation	-1 078	-738	-	-
Net book value	164	112	-	-

Note 23 Costs of improvements to property

TUSD	Group		Parent Company	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Opening acquisition cost	383	334	-	-
Sales/disposals	-342	-	-	-
Translation difference for the year	51	48	-	-
Closing acquisition cost	92	383	-	-
Opening accumulated depreciation	-335	-331	-	-
Sales/disposals	322	-	-	-
Translation difference for the year	-33	-4	-	-
Closing accumulated depreciation	-47	-335	-	-
Net book value	45	47	-	-

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Note 24 Shares in Group companies

	Parent Company	
	2007	2006
Book values		
At beginning of year	210 340	189 853
Investments	-	20 487
Carrying amount at year-end	210 340	210 340

Owned by Global IP Solutions (GIPS) Holding AB	Corporate Identity Number	Registered offices	Share of equity, %	Book Value (SEK)	Equity (SEK)
Global IP Sound Optioner AB	556585-5383	Stockholm, Sverige	100	100	407
Global IP Solutions Inc.	94-3352605	San Francisco, USA	98,8	210 240	249 661
TOTAL				210 340	

Owned within the Group (indirect shareholdings)	Corporate Identity Number	Registered offices	Group share of equity, %
Global IP Solutions (GIPS) AB	556604-9366	Stockholm, Sverige	98,8
Global IP Sound Asia Pacific Ltd.	4617-10-24	Hong Kong, PRC	98,8
CrystalVoice Communications, Inc	77-0469979	Santa Barbara, USA	98,8
Global IP Solutions Asia Pacific Ltd.	992662	Hong Kong, PRC	98,8
Global IP Solutions Japan K.K.	0199-01-110675	Tokyo, Japan	98,8

Note 25 Other financial non-current assets

	Group		Parent Company	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Deposits	213	184	-	-
TOTAL	213	184	-	-

Note 26 Deferred taxes

The following deferred tax liabilities (-) and assets (+), and changes in these, have arisen during the year.

	Patents	Capitalised development costs	Software & customer relations (see note 38)	Total
Opening balance per 1 January 2006	1 546	-225	-	1 321
Recognised against income statement during the year	711	-63	-	649
Translation differences	223	-	-	223
Closing balance per January 31 and opening balance per 1 January 2007	2 480	-287	-	2 193
Acquisition of subsidiary	-	-	-1 005	-1 005
Recognised against income statement during the year	-2 585	-202	1 005	-1 782
Translation differences	105	-	-	105
Closing balance per 31 December 2007	-	-489	-	-489

Deferred tax assets and liabilities are recognized in net value when there is a legally enforceable right to offset and the intention is to use this offset or to realize the asset and the liability at the same time. After the offset, the following balances exist.

TUSD	
Deferred tax assets	- 2 480
Deferred tax liabilities	-489 -287
	-489 2 193

Note 27 Trade receivables

	Group		Parent Company	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Trade receivables	3 267	5 996	-	-
Provision for impairment of trade receivables	-1 290	-400	-	-
TOTAL	1 977	5 596	-	-

Operations regarding provision for impairment of trade receivables	Group		Parent Company	
	2007-12-31	2006-12-31	2007-12-31	2006-12-31
Opening balance	-400	-209	-	-
Provisions	-866	-157	-	-
Translation difference	-24	-34	-	-
Closing balance	-1 290	-400	-	-

See also Note 4 for ageing analysis and the currency distribution in trade receivables.

Note 28 Other receivables

	Group		Parent Company	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Tax receivables	293	1 482	-	-
Deposit on escrow account	1 039	-	-	-
Value added tax	49	61	-	-
Other receivables	112	-	-	-
TOTAL	1 494	1 543	-	-

Note 29 Prepaid expenses and accrued income

	Group		Parent Company	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Prepaid rents	162	171	-	-
Accrued interest income	3	0	-	-
Prepaid insurance	48	66	-	-
Other prepaid expenses	381	343	107	142
TOTAL	595	580	107	142

Note 30 Financial investments

	Group		Parent Company	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Auction Rate Securities	2 250	-	-	-
TOTAL	2 250	-	-	-

Note 31 Cash and cash equivalents

	Group		Parent Company	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Cash at bank	3 896	15 751	4 445	6 509
TOTAL	3 896	15 751	4 445	6 509

Note 32 Share capital

The Company has an issued share capital of SEK 5 413 891.80, distributed among 54 138 918 shares with a par value of SEK 0.10. The Company has only one class of shares. The shares are fully negotiable documents, and each common share provides the holder with one vote at the shareholder's meetings. All shares carry pro rata entitlement to the Company's capital. The shares are registered in the Swedish Central Securities Depository (VPC) under ISIN SE 0000598559.

Below is a table of the development of share capital from the date the Company was founded.

Date of registration	Action	Share Increase	Subscription Price	Total Subscription	Nominal Value	Share Capital
20.07.1999	Incorporation	100 000	-	-	1.0	100 000
11.10.1999	Split	900 000	-	-	0.1	100 000
18.10.1999	New share issue	212 766	SEK 45.00	9 574 470	0.1	121 276.60
11.01.2000	Split	10 914 894	-	-	0.01	121 276.60
12.01.2000	New share issue	1	SEK 4.50	4.50	0.01	121 276.61
13.01.2000	New share issue	2 500 000	SEK 42.40	106 000 000	0.01	146 276.61
07.03.2000	Bonus issue,	14 481 383	-	-	1.0	14 627 661.00
30.03.2000	Conversion	2 222 222	SEK 4.50	9 999 999	1.0	16 849 883.00
02.05.2000	Conversion	1 944 444	SEK 4.50	8 749 998	1.0	18 794 327.00
12.12.2001	New share issue	4 250 000	SEK 5.75	24 437 500	1.0	23 044 327.00
04.02.2002	Warrant exercise	50 000	SEK 9.00	450 000	1.0	23 094 327.00
18.02.2002	Warrant exercise	800 000	SEK 5.75	4 600 000	1.0	23 894 327.00
15.03.2002	Warrant exercise	5	SEK 75.00	375	1.0	23 894 332.00
25.04.2002	Warrant exercise	150 000	SEK 9.00	1 350 000	1.0	24 044 332.00
03.05.2002	New share issue	1 001 927	SEK 5.75	5 761 080	1.0	25 046 259.00
15.05.2002	Red. of share capital	-	-	-	0.1	2 504 625.90
13.06.2002	New share issue	1 470 000	SEK 16.91	24 857 083	0.1	2 651 625.90
27.06.2002	New share issue	362 634	SEK 17.17	6 228 007	0.1	2 687 889.30
03.10.2002	Warrant exercise	865	SEK 5.75	4 974	0.1	2 687 975.80
25.07.2003	New share issue	15 665 410	NOK 1.10	18 865 477.83	0.1	4 254 516.80
07.07.2004	New share issue	7 000 000	NOK 3.00	22 911 149.94	0.1	4 954 516.80
06.07.2005	New share issue	3 500 000	NOK 12.00	50 316 000	0.1	5 304 516.80
20.02.2006	Warrant exercise	250 000	SEK 2.86	715 000	0.1	5 329 516.80
27.02.2006	Warrant exercise	100 000	SEK 13.85	1 385 000	0.1	5 339 516.80
13.05.2006	Warrant exercise	593 750	SEK 13.85	8 223 437.50	0.1	5 398 891.80
20.12.2006	Warrant exercise	150 000	SEK 13.85	2 077 500.00	0.1	5 413 891.80

All registered shares are fully paid-up. The Company's Articles of Association prescribe a maximum permitted share capital of SEK 10 400 000, corresponding to a maximum of 104 000 000 shares. The Company, including its subsidiaries, does not hold any shares in the Company, nor does anyone hold shares in the Company on behalf of the Company or any of its subsidiaries. Apart from undertakings under registered warrants, the Company has not given any option or made any commitment to increase the share capital of the Company.

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At December 31, GIPS held 98.8% of the shares in the subsidiary Global IP Solutions, Inc. The minority interest was held by employees and former employees of the GIPS Group. In May, 2008 the Company issued 553 162 new shares, directed towards those who own shares in Global IP Solutions, Inc. All was fully subscribed for, and the Company received 546 542 shares in Global IP Solutions, Inc as non-cash consideration for the newly issued shares in the Company. The consideration has been calculated on the basis of the different amount of outstanding shares and the differences in market value between the two companies. Since May 2008, all companies within the GIPS Group are (directly or indirectly) wholly-owned subsidiaries of the Company.

Outstanding authorizations

At the Annual General Meeting on 17 April 2007, the Board was authorized to make new issues of shares, warrants, and/or convertible debentures, with or without deviation from the shareholders' right of first refusal. Issues can be made against cash payment, by offsetting debt or by non-cash consideration. The purpose of such issues may be to raise capital, finance acquisitions or to tie strategic or financial investors to the Group. The authorization can be used at one or several occasions until the Annual General Meeting to be held in 2008. The Board may increase share capital by not more than SEK 540 000 by use of this authorization. The Board has, so far, not utilized its authorization.

New share issue in April, 2008

On 28 February 2008, the Board resolved, conditional upon approval by the general meeting of shareholders, to issue not more than 12 950 000 shares with pre-emption rights to subscription for existing shareholders. The new shares, with a par value of SEK 0.10 per share, was issued at a subscription price of NOK 4. The rights offering was oversubscribed by 19.1% and on April 21 the 12 950 000 new shares were allocated. Total number of shares have than increased to 67 088 918 from 54 138 918.

Outstanding options

See Note 39.

Note 33 Accrued expenses and deferred income

TUSD	Group		Parent Company	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Accrued holiday pay	401	231	-	-
Accrued social security contributions	39	-	-	-
Other personell expenses	638	-	-	-
Deferred income	1 250	2 240	-	-
Other items	1 982	2 298	166	859
TOTAL	4 310	4 769	166	859

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Note 34 Provisions for share-based payment liability

	Group	
	Dec 31, 2007	Dec 31, 2006
Opening balance, January 1	8 056	11 985
Change in share-based payment liability, recorded via P/L	-7 511	-3 929
TOTAL	545	8 056
<i>Of which long-term</i>	-	8 056
<i>Of which short-term</i>	545	-
Reconciliation to income statement	Dec 31, 2007	Dec 31, 2006
Change in share-based payment liability, recorded via P/L	7 511	3 929
Adjustment for goodwill, see note 40	283	-2 552
TOTAL recognized in P/L from cash- settled share-based payments	7 794	1 377
Expenses from equity-settled share-based payments	-73	-148
Total share-based payment recognized in P/L	7 721	1 229

Refer also to Note 39, Share-based payments

Note 35 Contingent liabilities

	Group		Parent Company	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Guarantees	220	58	-	400
TOTAL	220	58	-	400

Note 36 Interest in cash flow

	Group		Parent Company	
	2007	2006	2007	2006
Interest paid	987	685	580	38
Interest received	-300	-144	-141	-10
TOTAL	687	541	438	28

Note 37 Adjustment for non-cash items

	Group		Parent Company	
	2007	2006	2007	2006
Depreciation (see note 11)	2 093	579	-	-
Writedowns/depreciations (see note 14)	7 829	-	-	-
Share-based payments (see note 39)	-7 721	-1 229	-	-
TOTAL	2 201	-650	-	-

Note 38 Business Combinations

Acquisition of CrystalVoice.

Description of and reasons for the acquisition

On 12 January 2007, Global IP Solutions, Inc. (GIPS) acquired CrystalVoice Communications, Inc. (CV) for approximately MUSD 4.

Financial effects

After the acquisition, the business was transferred to GIPS Inc. No separate accounts have been held for CrystalVoice and no reliable amount of CrystalVoice's contributions can be disclosed. The identified goodwill of MUSD 4.8 and identified software of MUSD 2.4 (see below) have been written down in the fourth quarter of 2007. The reasons for the write downs were:

1. GIPS has not seen any significant integration of the CrystalVoice's products into the GIPS media products per the Company's product roadmap.
2. The market situation for CrystalVoice's products has changed.

Acquisition value, goodwill and cash flow effects

Acquisition value and goodwill arose in the following manner.

TUSD	Crystal Voice
Cash purchase consideration	3 531
Estimated conditioned additional purchase consideration	147
Transaction-related direct expenses	330
Total acquisition value	4 008
Less fair value of acquired net assets (in accordance with specification below)	831
Goodwill	4 839
Distribution of Goodwill on CGU: Americas	4 839

The estimated conditional additional purchase consideration is based on a percentage of revenue recognized on CrystalVoice's contracts through March 2008.

At the time of acquisition, the goodwill was attributable to the workforce of the acquired business and the synergies that were expected to arise after the group's acquisition of CrystalVoice.

The cash-flow effects were as follows.

TUSD	
Total cost of the combination paid in cash	3 531
Less acquired cash and cash equivalents	-288
Total acquisition value	3 243

The carrying amounts and fair values of acquired assets and assumed liabilities are allocated as follows.

TUSD	Carrying amount	Crystal Voice Adjustment to fair value	Fair value
Software	-	2 451	2 451
Customer agreements	-	60	60
Other intangible assets	80	-	80
Tangible non-current assets	22	-	22
Financial fixed assets	10	-	10
Receivables and other current assets	239	-	239
Cash and cash equivalents	288	-	288
Total acquired assets	639	2 511	3 150
Deferred tax liabilities	-	-1 005	-1 005
Short-term liabilities	-2 976	-	-2 976
Total assumed liabilities	-2 976	-1 005	-3 981
Acquired assets, net	-2 338	1 507	-831

Note 39 Share-based payments

The Company has two type of options; cash-settled share-based options and equity-settled share-based options.

Effect of share-based payment transactions on the Company's result and financial position was as follows:

Total income (+) and expense (-) recognized for share-based payment transactions:	2007	2006
Equity-settled	-73	-148
Cash-settled	7 794	1 377
Total reduced expense recognized	7 721	1 229

All expenses related to share-based payments have been accounted under the following functions.

Share-based payments by function	2007	2006
Selling costs	2 231	349
Administrative expenses	5 207	581
Research and development costs	283	298
Total share-based transactions	7 721	1 229

The closing balance of liability for cash-settled share-based payment transactions, including social charges, was as of December 31, 2007 TUSD 545 (TUSD 8 056) (see Note 34). The IFRS opening balance at January 1, 2006, was TUSD 11 986 (See Note 34). The total intrinsic value for vested cash-settled share-based payments was at December 31 TUSD 443 (TUSD 6 733).

Cash-settled share-based options

Share options are granted to directors and to employees in the Group for shares in the subsidiary Global IP Sound Inc. The exercise price of the granted options is equal to the market price on the date of the grant. Due to past practice, the options are classified as cash-settled payments.

Options are earned ratably over forty-eight months of service (the vesting period). Vested options are exercisable at any time with an expiration date of ten years from the grant date, or within one month of the resignation of the employee, whichever is earlier.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007	Weighted average exercise price	2006	Weighted average exercise price
Outstanding as at 1 January	4 597 880	1,52	5 031 400	1,18
Granted during the year	1 508 000	2,95	575 000	3,98
Forfeited during the year	-1 735 568	-2,16	-85 000	2,92
Exercised during the year	-501 584	-0,20	-923 520	-1,10
Expired during the year	-	-	-	-
Outstanding options at year end	3 868 728	1,96	4 597 880	1,52
Exercisable at the end of the year	1 183 303	0,31	3 632 128	1,25

For the cash based options outstanding at 31 December 2007, the exercise price ranges and weighted average remaining contractual lives are shown below.

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Range of exercise prices	Number of shares	Weighted average expected remaining life of years	Weighted average exercise price	Weighted average contractual life of years
\$0 - \$0,49	874 201	1,32	0,24	6,32
\$0,50 - \$1,00	601 114	1,47	0,73	6,47
\$1,01 - \$2,00	616 591	1,79	1,56	6,79
\$2,01 - \$3,00	586 822	4,04	2,74	9,04
\$3,01 - \$3,99	870 000	4,24	3,31	9,24
\$4,00 - \$5,18	320 000	2,98	4,63	7,98
	3 868 728	2,62	1,96	7,62

The fair value of the cash-settled options is measured at the date of grant and at each reporting date until the liability is settled, using the Black-Scholes option pricing model, taking into account the terms and conditions of the award. The following table lists the inputs to the models (Black-Scholes) used to measure the fair value of cash-settled payment liabilities.

	2007	2006
Dividend yield (%)	0%	0%
Expected volatility (%)	40%	60%
Risk-free interest rate (%)	3,50%	4,68%
The expected life of the options, years	5	5
Average remaining lifetime	2,62	2,66
Share price at December 31(USD)	0,68	2,96
Exercise price - average (USD)	1,96	1,52

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historic volatility is indicative of future trends, which may not be the actual outcome.

Equity-settled share-based options

In January 2006, the Company granted stock options under a separate plan to the Board members Mr. Allen Adams and Mr Bradley E. Sparks. They each have been granted 50 000 stock options for shares in the Company with an exercise price of NOK 30.94 per share. The stock options vest annually over a three year period with first vesting on 1 January 2007. Mr Adams and Mr Sparks currently have 33 400 vested stock options each. Vested options can be exercised through 25 January 2011.

The significant inputs into the model were the weighted average share price of NOK 28.50 at the grant date, the exercise price of 30.94, volatility of 75%, no dividend yield, an expected option life of five years, and an annual risk-free interest rate of 4.35%. The fair value at grant date was NOK 17.82. See Note 13 for the total expense recognized in the income statement for share options granted to directors and employees.

Warrants

GIPS AB has issued a total of 2 682 661 warrants of series 2004/2009 to a customer. The warrants represented 5 per cent of the shares in the Company on a fully diluted basis at the time of grant (May 2002). The exercise price was determined based on the market price of the share at the time, and was set at SEK 3.10. The warrants are deposited but can be released if the customer attains certain revenue targets under the agreement with the Company. No warrants have been released as per the date of this prospectus. Notwithstanding, the warrants will be released no later than 1 July 2009 and can be exercised up to and including 1 October 2009. The warrants contain anti-dilution protection as regards new issues, as well as other capital events in the Company. As an alternative, the customer can demand to participate in certain capital increases, in which case there will be no other anti-dilution protection. The customer may demand an early release of the

warrants from the escrow account in the event of a change of control in the Company or a qualified public offering. Furthermore, the customer shall consent to increases in the Company's capital, excluding incentive programs for directors and employees.

GIPS has not applied IFRS 2 to these equity settled instruments, as they were granted before November 2002 and vested before GIPS transition date to IFRS, 1 January 2006.

Changes in the stock options plan in 2008

Issued stock options under the stock option plan are as follows:

At the General Meeting on 18 March 2008, changes to the stock option plan were approved. The main feature of the changed stock option plan is that options are to be granted for shares in the Parent Company, rather than for shares of common stock in its subsidiary Global IP Solutions, Inc. The stock options will after the modification be classified as equity-settled options. The cash-settled liability at modification date, TUSD 521, will be re-classified to equity. The modification date fair value of the cash-settled liability award will become the basis for recognizing cumulative remuneration expense over the vesting period. The unrecognized remuneration expense is recognized over the remaining vesting period. A result of the modification is that the Company's future results will be less volatile.

At 19 May 2008, there are 3 618 975 stock options granted under the stock option plan, which entitle holders to the potential purchase of a total of 3 618 975 shares in the Company. GIPS will be able to grant a total of 4 500 000 options under the stock option plan. The exercise prices for currently granted options range between NOK 1.09 and NOK 28.21. Granted options vest each month over a period of four years. Options terminate ten years after grant, or 30 days after termination of employment in GIPS. In order to ensure that the Company can deliver shares under the stock option plan, the Company has issued 4 500 000 warrants for new share subscription, in which the subscription price is equal to the par value of the shares, currently SEK 0.10. The subscription price under the warrants will not have any impact on the exercise price under the granted stock options.

Note 40 GIPS' adoption of International Financial Reporting Standards (IFRS)

From and including 1 January 2007, GIPS prepares its consolidated accounts in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The adoption of IFRS is accounted for in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and GIPS has chosen 1 January 2007 as the adoption date. Formerly published financial information with respect to the financial years 2007 and 2006, prepared in accordance with the Swedish Accounting Standards recommendations, has been recalculated to IFRS.

The general rule is that all applicable IFRS and IAS standards that have entered into force and have been approved by the EU shall be applied with retroactive effect. However, IFRS 1 contains transitional provisions that give the companies certain possibilities to elect.

The changes in accounting policies that the adoption of IFRS has entailed, as well as the transition effects in the GIPS Group's income statements and balance sheets, are presented below. In each respective section, the exceptions from full retroactive appliance that GIPS has selected are set out. The letters, a-h, for each respective section, refer to the notes in the tables summarizing the effects of the adoption of IFRS.

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The effect of the application of IFRS on the Group's balance sheet:

	Swedish GAAP Jan 1, 2006, TSEK	Swedish GAAP Jan 1, 2006, TUSD	a) Intang. Assets	b) Share based payments	IFRS Jan 1, 2006 TUSD	Swedish GAAP Dec 31, 2006, TSEK	Swedish GAAP Dec 31, 2006, TUSD	a) Intang. Assets	b) Share based payments	IFRS Dec 31, 2006 TUSD
Assets										
Fixed assets										
Intangible fixed assets										
Patents	2 100	264	-	-	264	2 610	380	-	-	380
Software	1 815	228	-	-	228	14 888	2 165	-	-	2 165
Capitalised development expenditure	-	-	749	-	749	-	-	958	-	958
Goodwill	-	-	-	-	-	17 552	2 553	-	-2 552	0
	3 915	493	749	-	1 242	35 050	5 098	958	-2 552	3 504
Tangible fixed assets										
Equipments	395	50	-	-	50	771	112	-	-	112
Cost of improvements of other entity's property	27	-	-	-	-	325	47	-	-	47
	422	50	-	-	50	1 096	159	-	-	159
Financial fixed assets										
Other financial non-current assets	1 143	144	-	-	144	1 263	184	-	-	184
Deferred tax assets	12 284	1 546	-	-	1 546	17 054	2 480	-	-	2 480
	13 427	1 689	-	-	1 689	18 317	2 664	-	-	2 664
Total fixed assets	17 764	2 232	749	-	2 981	54 463	7 921	958	-2 552	6 327
Current assets										
Trade receivables	19 857	2 498	-	-	2 498	38 476	5 596	-	-	5 596
Other receivables	798	100	-	-	100	10 606	1 543	-	-	1 543
Prepaid expenses and accrued income	1 048	132	-	-	132	3 990	580	-	-	580
	21 703	2 731	-	-	2 731	53 072	7 719	-	-	7 719
Cash and cash equivalents	108 518	13 654	-	-	13 654	108 297	15 751	-	-	15 751
Total current assets	130 221	16 385	-	-	16 385	161 369	23 470	-	-	23 470
Total assets	147 985	18 617	749	-	19 366	215 832	31 391	958	-2 552	29 797
Total Equity	111 844	14 073	525	-11 985	2 612	174 139	25 327	671	-10 609	15 408
Minority Interest in Subsidiary	-	-	-	-	-	130	19	-	-	-
Long-term liabilities										
Deferred tax liability	-	-	225	-	225	-	-	287	-	287
Other non-current liabilities	-	-	-	-	-	321	47	-	-	47
Provision for share-based payment liability	-	-	-	11 985	11 985	-	-	-	8 056	8 056
Long-term note	321	40	-	-	40	-	-	-	-	-
	321	40	225	11 985	12 250	321	47	287	8 056	8 391
Current liabilities										
Trade payables	1 900	239	-	-	239	8 172	1 189	-	-	1 189
Other liabilities	453	57	-	-	57	281	41	-	-	41
Accrued expenses and deferred income	33 467	4 208	-	-	4 208	32 789	4 769	-	-	4 769
	35 820	4 504	-	-	4 504	41 242	5 998	-	-	5 998
Total Equity & Liability	147 985	18 617	749	-	19 366	215 832	31 391	958	-2 552	29 797

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	Swedish GAAP Dec 31, 2007, TSEK	Swedish GAAP Dec 31, 2007, TUSD	a) Intang. Assets	b) Share base payments	g) Reclassifica tions	IFRS Dec 31, 2007
Assets						
Fixed assets						
Intangible fixed assets						
Patents	3 357	520	-	-	-	520
Software	10 154	1 572	-	-	-	1 572
Capitalised development expenditure	-	-	1 631	-	-	1 631
Goodwill	15 751	2 439	-	-2 439	-	-
	29 262	4 531	1 631	-2 439	-	3 723
Tangible fixed assets						
Equipments	1 060	164	-	-	-	164
Cost of improvements of other entity's property	290	45	-	-	-	45
	1 350	209	-	-	-	209
Financial fixed assets						
Other financial non-current assets	1 375	213	-	-	-	213
	1 375	213	-	-	-	213
	-	-	-	-	-	-
Total fixed assets	31 987	4 953	1 631	-2 439	-	4 145
Current assets						
Trade receivables	12 770	1 977	-	-	-	1 977
Other receivables	9 649	1 494	-	-	-	1 494
Prepaid expenses and accrued income	3 840	595	-	-	-	595
Financial investments	-	-	-	-	2 250	2 250
	26 259	4 066	-	-	2 250	6 316
Cash and cash equivalents	39 689	6 146	-	-	-2 250	3 896
Total current assets	65 948	10 212	-	-	-	10 212
Total assets	97 935	15 165	1 631	-2 439	-	14 357
Total Equity						
	62 222	9 635	1 142	-2 984	93	7 886
Minority Interest in Subsidiary	597	93	-	-	-93	-
Long-term liabilities						
Deferred tax liability	-	-	489	-	-	489
Other non-current liabilities	2 455	381	-	-	-	381
Provision for share-based payment liability	-	-	-	-	-	-
Long-term note	-	-	-	-	-	-
Total long-term liabilities	2 455	381	489	-	-	870
Current liabilities						
Trade payables	4 336	671	-	-	-	671
Other liabilities	484	75	-	-	-	75
Accrued expenses and deferred income	27 841	4 310	-	-	-	4 310
Total current liabilities	32 661	5 056	-	545	-	5 601
Total Equity & Liability	97 935	15 165	1 631	-2 439	-	14 357

The effect of the application of IFRS on the Group's Income Statement

	Swedish GAAP Jan 1 - Dec 31, 2006, TSEK	Swedish GAAP Jan 1 - Dec 31, 2006, TUSD	a) Intang. Assets	b) Share base payments	IFRS Jan 1 - Dec 31, 2006, TUSD	Swedish GAAP Dec 31, 2007, TSEK	Swedish GAAP Dec 31, 2007, TUSD	a) Intang. Assets	b) Share base payments	c) Business Combinations	IFRS Jan 1 - Dec 31, 2007, TUSD
Net turnover	126 032	17 089	-	-	17 089	98 303	14 428	-	-	-	14 428
Cost of goods sold	-16 439	-2 229	-	-	-2 229	-10 997	-1 604	-	-	-	-1 604
Gross profit	109 593	14 860	-	-	14 860	87 306	12 824	-	-	-	12 824
Selling expenses	-38 414	-5 208	-	349	-4 859	-89 145	-13 166	-	2 231	235	-10 700
Administrative expenses	-24 130	-3 272	-	581	-2 691	-33 231	-4 871	-	5 207	65	401
Research and development costs	-18 393	-2 494	209	298	-1 987	-23 495	-3 479	1 153	283	135	-1 909
Other income	28 415	3 853	-	-	3 853	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-38 242	-5 911	-479	-	-1 439	-7 829
Operating Profit (loss)	57 070	7 739	209	1 229	9 176	-96 807	-14 602	673	7 721	-1 005	-7 212
Financial Income	5 050	685	-	-	685	6 515	987	-	-	-	987
Finance costs	-1 063	-144	-	-	-144	-757	-300	-	-	-	-300
Profit/ loss after financial items	61 057	8 279	209	1 229	9 717	-91 049	-13 915	673	7 721	-1 005	-6 526
Tax on net profit for the year	3 560	483	-63	-	420	-16 526	-2 553	-202	-	1 005	-1 750
Net profit/ loss for the period	64 617	8 762	146	1 229	10 137	-107 575	-16 468	471	7 721	-	-8 276

The effect of the application of IFRS on the Group's Equity

	Jan 1, 2006	Dec 31, 2006	Dec 31, 2007
Equity in accordance with formerly applied principles, TUSD	14 073	25 327	9 635
Capitalization of intangible assets	749	958	1 631
Tax effects of capitalization of intangible assets	-225	-287	-489
Not settled liabilities from cash settled share base payments	-11 985	-10 609	-2 984
Minority interests		19	93
Equity in accordance with IFRS	2 612	15 408	7 886

Description of effects:**a) Capitalized development expenses**

In accordance with Swedish GAAP, as outlined by Swedish Accounting Standards Board, research and development costs were expensed when incurred.

Under IAS 38, research costs are expensed and development costs are capitalized once the entity can demonstrate:

- its intention, and financial and technical capacity to complete the development project;
- the probability that the expected future economic benefits that are attributable to the development expenditure will flow to the entity; and
- that the cost of the intangible asset can be measured reliably.

In accordance with IFRS 1, this development expenditure has been capitalized retrospectively for all projects with a residual value other than zero per 1 January 2006. In Note 18, Capitalized development expenditure, the accumulated capitalization, investments and depreciation are shown.

Of the ending balance of TUSD 1,631 per 31 December 2007, approximately TUSD 110 comes from capitalization of Share-based payment expenses.

The value in use of development projects is systematically tested when pre-determined indications of loss in value are identified. On 31 December 2007, TUSD 479 was written down of the previous capitalized expenses (see note 18)

b) Share based payments

IFRS requires an expense to be recognized if the Group purchases goods or services in exchange for shares or rights over shares (equity-settled transactions), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (cash-settled transactions). The main impact of this on the Group is the expensing of the employees' and Directors' share options and other share-based incentives by using an option-pricing model, with a credit to equity or liabilities for equity-settled and cash-settled options, respectively.

The Group has taken advantage of the transitional provisions of IFRS 2 and has applied this accounting standard only to cash-settled awards that have not been settled before the GIPS transition date to IFRS, and to equity-settled awards granted after 7 November 2002, that had not been vested prior to 1 January 2006.

Due to a heavily increased share price during the years before the transition date to IFRS, the opening balance liability for cash-settled share base payments per 1 January 2006 amounted to TUSD 11 985. Due to a decreased share price, less time to maturity, forfeited options the value of the options and number of outstanding options, and hence, liability had decreased to TUSD 545 per 31 December 2007. The expenses related to cash-settled share-base payments that has been recognized in the income statement during these years amounts to TUSD 7 794 in 2007 and TUSD 1 377 in 2006 (see Note 29). The goodwill according to Swedish GAAP of TUSD 2 552 was attributable to the buy back of exercised cash settled options. This goodwill of TUSD 2 552 has been expensed as a personnel expense in accordance with IFRS 2 in 2006 (see Note 34).

There has also been recognized expenses from equity settled options of TUSD 73 in 2007 and TUSD 148 in 2006 (see Note 39).

c) Business Combinations

Goodwill, according to Swedish GAAP per 31 December 2006 was, as described above under Share-based payments, related to the share buy back of the cash settled options. This goodwill has been expensed with TUSD 2 395 as a personnel expense and the related amortization of TUSD 66 has been reversed in 2006. In 2007 goodwill has been booked against retained earnings and the depreciations that were made according to Swedish GAAP have been reversed.

In accordance with Swedish accounting principles, all intangible assets, including goodwill, shall be amortized over their estimated useful life. This change does not affect equity at the adoption date, since there was no goodwill per 1 January 2006. However, as a consequence of the adoption of IFRS, the goodwill amortization that has been accounted for during 2007 related to the acquisition of CrystalVoice, in accordance with the Swedish accounting principles, TUSD 434, shall be reversed. However, since all identified assets according to IFRS 3, were impaired by TUSD 7 350, there are no effects of IFRS 3 on net profit for the full year 2007.

See Note 38, Business Combination for the acquired values.

d) Accumulated translation differences

Translation differences with respect to investments in foreign operations shall, in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", be accounted for as a separate item under equity. Since the group has changed their presentation currency to USD instead of SEK, the translation difference occurs due to variances with USD. The Company has chosen to zero the accumulated translation difference as per 1 January 2006, in accordance with the transition provisions in IFRS 1.

e) Deferred taxes

The effect of the adjustments above has meant that the difference between the previously reported deferred tax amount and the deferred tax amount in accordance with IFRS shall be accounted for in connection with changing to capitalized expenses for development and fair value adjustments to book values at acquisitions.

f) Minority interests

In accordance with IAS 1 "Presentation of financial statements", minority interests shall be accounted for as a separate component of equity in the balance sheet, instead of between liabilities and equity. In the income statement, the minority's share of the profits shall no longer reduce the accounted net profit for the period. In the income statement, it shall instead be specified to what extent the net profit for the year is attributable to the Parent Company's shareholders and the minority shareholders in subsidiaries, respectively. The total reported equity hereby decreases by TUSD 11 461 as per 1 January 2006, TUSD 9 919 as per 31 December 2006 and 1 749 TUSD as per 31 December 2007. The net profit for 2006 increased by TUSD 1 375 and for 2007 by TUSD 8 192.

g) Presentation and format

Certain changes to classifications and denominations have been made in the income statements and balance sheets, respectively. These changes have been made directly in the column entitled "Swedish GAAP". The changes are primarily made with respect to the following.

Equity is no longer divided into restricted and non-restricted equity. Some reclassifications within equity have also been effected. Equity is divided into share capital, other contributed capital, other reserves, profit/loss brought forward, including net profit, and minority interests.

The Group's income statement ends with "Net profit", which corresponds to the earlier "Net earnings" without a deduction of minority interest. The net profit is thereafter allocated on the basis of what is attributable to shareholders in the Parent Company and the minority, respectively.

h) Cash flow statement

GIPS has classified the means accounted for as cash and bank as well as short-term investments as cash and cash equivalents. In accordance with IAS 7, only cash and cash equivalents that at acquisition date had a term of no more than 3 months may be accounted for as cash and cash equivalents. This means that cash and cash equivalents in the cash flow analysis decrease by TUSD 2 250 related to the auction rate securities.

Note 41 Subsequent events

- Emerick Woods officially joined the Company as CEO on April 1, 2008.
- On 21 April 2008, 12,950,000 new shares were issued, and the company received approximately 10,175 TUSD.
- In March, the Group modified the current stock options plan to grant new options in the Parent. A consequence of the modification is that the options are classified as equity-settled share-based payments instead of cash-settled share-based payments.
- In May, 2008 the Company issued 553,162 new shares, directed to minority owners in Global IP Solutions, Inc. Since May 2008, all companies within the GIPS Group are (directly or indirectly) wholly-owned subsidiaries of the Parent.
- The Arbitration panel in Stockholm had rejected the Company's claim in its dispute with a licensee of GIPS. The Company will bear the costs of both the Arbitration Institute and the licensee, which it estimates to lie between TUSD 420 to TUSD 500.

See also the Directors' Report section "Significant Events after Year-End 2007"

Note 42 Appropriation of loss

At the disposal of the Annual General Meeting:

	SEK
Share premium reserve	12 291 473
Retained earnings	-40 561 258
Net loss	-1 232 754
Total	-29 502 540

The Board proposes that this loss be appropriated as follows:

	SEK
To be carried forward to 2008	-29 502 540
Total	-29 502 540

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The Board of Directors and the President and CEO certify that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The Directors' Report for the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 19 May 2008

Ditlef de Vibe
Chairman of the Board

Allen Adams
Board Member

Roar Hagen
Board Member

Åge Korsvold
Board Member

Bradley E. Sparks
Board Member

Trym Skeie
Board Member

Emerick Woods
Group CEO and President

Our auditors' report was rendered 19 May 2008
Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant

Audit report

To the annual meeting of the shareholders of Global IP Solutions (GIPS) Holding AB (publ) Corporate identity number 556573-9017

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Global IP Solutions (GIPS) Holding AB (publ) for the year 2007. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are 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 assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give 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 consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the loss of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 19 May 2008
Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant

Financial Definitions

Average number of shares outstanding:

The weighted average number of shares outstanding before or after dilution. The diluted weighted average number of shares outstanding is the number of shares that would be outstanding if all convertible securities, e.g. warrants, were converted to common stock.

Capital employed:

Total assets less non-interest-bearing liabilities/provisions. Capital employed for the business areas excludes cash, tax liabilities and tax receivables.

Capital turnover ratio:

Revenues divided by average total assets.

Earnings before depreciation and amortization (EBITDA):

Operating profit plus depreciation, and impairment.

Earnings per share:

Profit for the period, attributable to equity holders of the Parent Company divided by the average number of shares outstanding.

EBITDA margin:

Earnings before depreciation and impairment as a percentage of revenue.

Equity/assets ratio:

Equity, including minority interest, as a percentage of total assets.

Equity per share:

Equity including minority interest divided by the number of shares.

Operating profit:

Revenue less all costs related to operations, excluding financial items and taxes.

Operating profit margin:

Operating profit as a percentage of revenue.

Return on capital employed (ROCE):

Profit before tax plus interest paid and foreign exchange differences (for business area: operating profit) as a percentage of average capital employed.

Return on equity:

Profit for the period, attributable to equity holders of the Parent Company as a percentage of average equity, excluding minority interest.