

Astralis Esport ApS
Otto Busses Vej 5 A, 2.
2450 København SV
Business Registration No
37275506

Annual report 2018

The Annual General Meeting adopted the annual report on 01.07.2019

Chairman of the General Meeting

Name: Nikolaj Nyholm

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Entity details

Entity

Astralis Esport ApS
Otto Busses Vej 5 A, 2.
2450 København SV

Central Business Registration No (CVR): 37275506

Registered in: København

Financial year: 01.01.2018 - 31.12.2018

Executive Board

Nikolaj Nyholm

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of Astralis Esport ApS for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 01.07.2019

Executive Board

Nikolaj Nyholm

Independent auditor's report

To the shareholders of Astralis Esport ApS

Opinion

We have audited the financial statements of Astralis Esport ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

The Company incurred a net loss of DKK 6.929k for the year ended 31 December 2018 and equity is negative by DKK 15.881k for the year then ended. As stated in Note 1, the ultimate parent RFRSH ApS has made a statement of support to secure the operations and financing throughout 2019. As a result, Management has assessed and concluded that the Company is a going-concern. Our opinion has not been modified with respect to this matter.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

Independent auditor's report

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

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

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

Copenhagen, 01.07.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Kim Takata Mücke
State Authorised Public Accountant
Identification No (MNE) mne10944

Management commentary

Primary activities

The Company's primary activity is to run the Esport Counter-Strike team Astralis and participate in tournaments.

Development in activities and finances

The financial result of the Company's fiscal year is a loss of DKK 6.929k. The result is in line with expectations and considered satisfactory.

At 31 December 2018, the Company has negative equity.

As stated in Note 1, the ultimate parent RFRSH ApS has made a statement of support to secure the operations and financing throughout 2019. As a result, Management has assessed and concluded that the Company is a going-concern.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Revenue		35.922.152	16.709.654
Cost of sales		(5.966.914)	(43.180)
Other external expenses		<u>(5.877.177)</u>	<u>(3.566.269)</u>
Gross profit/loss		24.078.061	13.100.205
Staff costs	2	(28.723.004)	(16.336.488)
Depreciation, amortisation and impairment losses		<u>(1.310.646)</u>	<u>(778.118)</u>
Operating profit/loss		(5.955.589)	(4.014.401)
Other financial expenses	3	<u>(973.151)</u>	<u>(650.483)</u>
Profit/loss before tax		(6.928.740)	(4.664.884)
Tax on profit/loss for the year	4	<u>0</u>	<u>0</u>
Profit/loss for the year		<u>(6.928.740)</u>	<u>(4.664.884)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(6.928.740)</u>	<u>(4.664.884)</u>
		<u>(6.928.740)</u>	<u>(4.664.884)</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Acquired rights		0	778.117
Intangible assets	5	0	778.117
Fixed assets		0	778.117
Trade receivables		11.571.935	2.027.613
Receivables from group enterprises		0	2.563.509
Other receivables		2.319.802	0
Prepayments		0	55.855
Receivables		13.891.737	4.646.977
Cash		1.700.300	1.210.516
Current assets		15.592.037	5.857.493
Assets		15.592.037	6.635.610

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		71.428	71.428
Retained earnings		<u>(15.952.836)</u>	<u>(9.024.096)</u>
Equity		<u>(15.881.408)</u>	<u>(8.952.668)</u>
Other payables	6	<u>4.191.152</u>	<u>3.742.100</u>
Non-current liabilities other than provisions		<u>4.191.152</u>	<u>3.742.100</u>
Payables to group enterprises		13.077.091	8.111.900
Other payables	7	<u>14.205.202</u>	<u>3.734.278</u>
Current liabilities other than provisions		<u>27.282.293</u>	<u>11.846.178</u>
Liabilities other than provisions		<u>31.473.445</u>	<u>15.588.278</u>
Equity and liabilities		<u>15.592.037</u>	<u>6.635.610</u>
Going concern	1		
Contingent liabilities	8		

Statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Total DKK
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Equity beginning of year	71.428	(9.024.096)	(8.952.668)
Profit/loss for the year	<u>0</u>	<u>(6.928.740)</u>	<u>(6.928.740)</u>
Equity end of year	<u>71.428</u>	<u>(15.952.836)</u>	<u>(15.881.408)</u>

Notes

1. Going concern

At 31 December 2018, the Company has negative equity, which in all material respects is funded by loans from the ultimate parent RFRSH ApS.

The ultimate parent RFRSH ApS has made a statement of support to secure the operations and financing throughout 2019. As a result, Management has assessed and concluded that the Company is a going-concern.

	2018	2017
	DKK	DKK
2. Staff costs		
Wages and salaries	28.482.723	16.157.589
Other social security costs	51.333	67.640
Other staff costs	188.948	111.259
	28.723.004	16.336.488
Average number of employees	8	8

	2018	2017
	DKK	DKK
3. Other financial expenses		
Financial expenses from group enterprises	420.900	224.400
Other interest expenses	502.338	426.083
Exchange rate adjustments	49.913	0
	973.151	650.483

4. Deferred tax

The Company has a non-recognised deferred tax asset of DKK 4.144k relating primarily to tax loss carryforwards. Capitalisation awaits that the Company becomes profitable.

Notes

	Acquired rights DKK
	<u>DKK</u>
5. Intangible assets	
Cost beginning of year	1.625.000
Additions	<u>532.529</u>
Cost end of year	<u>2.157.529</u>
Amortisation and impairment losses beginning of year	(846.883)
Amortisation for the year	<u>(1.310.646)</u>
Amortisation and impairment losses end of year	<u>(2.157.529)</u>
Carrying amount end of year	<u>0</u>

6. Other long-term payables

The Company has received a syndication loan with a principal of DKK 3 million. The loan bears an interest of 7.5% p.a. which is added to the principal, whereby the debt at 31 December 2018 in total equals DKK 4.191.152. The principal and added interest is due for full payment in 2023.

	2018 DKK	2017 DKK
	<u>DKK</u>	<u>DKK</u>
7. Other payables		
VAT and duties	0	542.465
Wages and salaries, payroll taxes, social security costs, etc payable	11.452.774	2.372.575
Holiday pay obligation	2.673.621	775.582
Other costs payable	<u>78.807</u>	<u>43.656</u>
	<u>14.205.202</u>	<u>3.734.278</u>

8. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where RFRSH ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Income statement

Revenue

Revenue from prize money is recognised in the income statement when the tournament is completed.

Revenue from sponsorships is recognised in the income statement over the duration of the sponsorships.

Revenue is recognised net of VAT and is measured at fair value of the consideration.

Cost of sales

Cost of sales comprises consumed direct costs to tournaments to achieve the revenue for the year.

Other external expenses

Other external expenses include expenses relating to the Company's ordinary activities, including corporate expenses, marketing costs etc.

Staff costs

Staff costs comprise salaries and wages including prize money passed on to staff as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises and exchange losses on transactions in foreign currencies.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise acquired rights to contract with players.

Accounting policies

Intellectual property rights acquired are measured at cost less accumulated amortisation, and are amortised over 2 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.