

## **Heroic IVS**

Otto Busses Vej 5 A, 2.  
2450 København SV  
Business Registration No  
38027190

## **Annual report 16.09.2016 - 31.12.2017**

The Annual General Meeting adopted the annual report on 13.06.18

### **Chairman of the General Meeting**

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Name: Nikolaj Fjord

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## Entity details

### Entity

Heroic IVS  
Otto Busses Vej 5 A, 2.  
2450 København SV

Central Business Registration No (CVR): 38027190

Registered in: København

Financial year: 16.09.2016 - 31.12.2017

### Board of Directors

Marco Mathias Pfeiffer  
Nikolaj Nyholm

### Executive Board

Nikolaj Fjord

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postboks 1600  
0900 København C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Heroic IVS for the financial year 16.09.2016 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 16.09.2016 - 31.12.2017.

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, 13.06.18

### Executive Board

Nikolaj Fjord

### Board of Directors

Marco Mathias Pfeiffer

Nikolaj Nyholm

# Independent auditor's report

## To the shareholders of Heroic IVS

### Opinion

We have audited the financial statements of Heroic IVS for the financial year 16.09.2016 - 31.12.2017, 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 31.12.2017 and of the results of its operations for the financial year 16.09.2016 - 31.12.2017 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 4.483 thousand for the year ended 31 December 2017. As stated in Note 1, the Company is relying on financing from its parent company. If the fundraising of the Parent is not completed or alternative financing is not obtained this may cast significant doubt on the Company's ability to continue as a going-concern. Our opinion is not modified in respect of 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, 13.06.18

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556

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

## Management commentary

### Primary activities

Heroic IVS is a Counterstrike Global Offensive team based in Denmark. Heroic is currently owned by RFRSH ApS alongside several players, and has implemented the RFRSH Performance model. Heroic has established itself as a consistent top-20 CS:GO team in the world and is actively working towards breaking into the top-10.

### Development in activities and finances

- Heroic has successfully implemented the RFRSH performance model that includes focus on the mental aspects, physical training and nutrition.
- During 2017 Heroic signed three large sponsoring agreements with Hiper, Cult Energy and eOddset (both beginning in januar 2018)
- Bought a young talent – Jugi – who was in 2018 sold for a substantial profit.

### Capital matters

At 31 December 2017, the Company has negative equity of DKK 4.483 thousand. The negative equity is covered by funding from its parent company, who will need to secure additional funding to secure the Company's funding needs until the operations become profitable.

### Events after the balance sheet date

- Sold two players (Jugi & Snappi) to the US-based Optic organization.



## Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>
<b>Gross profit</b>		<b>1.174.634</b>
Staff costs	2	(5.470.563)
Depreciation, amortisation and impairment losses		<u>(170.758)</u>
<b>Operating profit/loss</b>		<b>(4.466.687)</b>
Other financial income		6.241
Other financial expenses		<u>(22.305)</u>
<b>Profit/loss before tax</b>		<b>(4.482.751)</b>
Tax on profit/loss for the year	3	<u>0</u>
<b>Profit/loss for the year</b>		<b><u>(4.482.751)</u></b>
<b>Proposed distribution of profit/loss</b>		
Retained earnings		<u>(4.482.751)</u>
		<b><u>(4.482.751)</u></b>

## Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>
Acquired intangible assets		388.000
Acquired trademarks		<u>29.528</u>
<b>Intangible assets</b>		<b><u>417.528</u></b>
<b>Fixed assets</b>		<b><u>417.528</u></b>
Trade receivables		222.628
Other receivables		<u>21.004</u>
<b>Receivables</b>		<b><u>243.632</u></b>
<b>Cash</b>		<b><u>227.021</u></b>
<b>Current assets</b>		<b><u>470.653</u></b>
<b>Assets</b>		<b><u>888.181</u></b>

## Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017</u> <u>DKK</u>
Contributed capital		5
Retained earnings		<u>(4.482.751)</u>
<b>Equity</b>		<b><u>(4.482.746)</u></b>
Payables to group enterprises		4.862.382
Other payables		<u>508.545</u>
<b>Non-current liabilities other than provisions</b>		<b><u>5.370.927</u></b>
<b>Liabilities other than provisions</b>		<b><u>5.370.927</u></b>
<b>Equity and liabilities</b>		<b><u>888.181</u></b>
Going concern	1	
Contingent liabilities	4	

## Statement of changes in equity for 2017

	<b>Contributed capital DKK</b>	<b>Retained earnings DKK</b>	<b>Total DKK</b>
Contributed upon formation	1	0	1
Increase of capital	4	0	4
Profit/loss for the year	0	(4.482.751)	(4.482.751)
<b>Equity end of year</b>	<b>5</b>	<b>(4.482.751)</b>	<b>(4.482.746)</b>

## Notes

### 1. Going concern

In its first year, the Company incurred a net loss of DKK 4.483 thousand, which in all material respects were according to expectations. The Company is currently relying on financing from its parent company, who will need to secure additional funding to secure the Company's funding needs until the operations become profitable.

	<b>2017</b>
	<b>DKK</b>
<b>2. Staff costs</b>	
Wages and salaries	5.405.089
Other social security costs	34.664
Other staff costs	<u>30.810</u>
	<b><u>5.470.563</u></b>
Average number of employees	<u>7</u>

### 3. Deferred tax

The Company has a non-recognised deferred tax asset of TDKK 986 related to tax losses to be carried forward.

### 4. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which RFRSH ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc. for the joint taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

## 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.

### Income statement

#### Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

#### Revenue

Income from participation in tournaments is recognised in the income statement when the tournament has taken place.

Revenue from sales of players is recognised in the income statement upon signing of contract.

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

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

#### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for IT, management fee, office supplies, etc.

#### Staff costs

Staff costs comprise salaries and wages 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 for the financial year, calculated on the basis of the residual values and useful lives of the individual assets as well as gains and losses from the sale of intangible assets.

#### Other financial income

Other financial income comprises interest income, and currency gains.

#### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, and currency losses.

## Accounting policies

### 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.

The Company is jointly taxed with other Danish group entities in Denmark. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable income.

### Balance sheet

#### Intellectual property rights etc

Acquired intangible assets comprise player contract rights and are measured at cost less accumulated amortisation. Acquired intangible assets are amortised over the life of contracts.

Acquired trademarks are amortised over their remaining duration.

Acquired intangible assets and trademarks are written down to the lower of recoverable amount and carrying amount.

#### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

#### Cash

Cash comprises bank deposits.

#### Other financial liabilities

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