

FNATIC LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022



FNATIC LIMITED

COMPANY INFORMATION

Director	S M D Mathews
Company secretary	OHS Secretaries Limited
Registered number	07805670
Registered office	1 Kingsland passage London E8 2BB
Independent auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG

FNATIC LIMITED

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FNATIC LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The Director of Fnatic Ltd is pleased to present his Strategic Report and audited group accounts for the year ended 31 December 2022.

Business review

Fnatic Ltd is a company of Fnatic, the leading esports performance brand.

Fnatic has the most proven track record at building winning teams in the most watched esports titles, including notably League of Legend, Valorant, CSGO, DOTA2, Rainbow6. We entered Apex Legend this year, building a leading Team in the Asian League in just a few weeks, and decided to leave Halo in 2022 to keep our efforts focused.

Thanks to our history of performance, we have built strong partnerships with game publishers and brands willing to target the esports audience, enabling us to be selected amongst only 10 Teams in Europe for the future Valorant League. We are the only esports brand with a full set of products to improve gamers, from apparel to gear, uniquely built directly with our professional players. There has been significant movement in Digital Products which has led to growth in our investments towards digital in-game items.

Revenues in 2022, excluding prize money, increased year-on-year by +39% (vs a prior year like-for-like increase of +60%). Pro gaming revenues have doubled in 2022, partnerships had another strong year at +26% growth and digital products increased by +33% vs prior year.

During 2022, gross profit improved by 50%. This movement has been largely due to high growth and high margin digital in games item in 2022.

Administrative expenses over the period have increased by over £691k in 2022 vs the prior year.

The resulting Operating loss before tax figure for the year 2022 is £1.9m vs a loss of £3.1m in 2021, thanks to improved unit economics driving the company closer to profitability.

Principal risks and uncertainties

Fnatic Ltd Limited is aware of many of the risks and uncertainties it faces in the fast-changing market in which it operates. Management have implemented policies and procedures to eliminate or mitigate risks as they arise.

Foreign Exchange (FOREX)

A large proportion of our revenue and costs are derived in USD and EUR. As such, Fnatic Ltd Limited incurs foreign exchange gains and losses when transferring money internationally and is impacted when reporting gains and losses on the timing differences between billing and settling invoices. FOREX risk is reduced by maintaining a USD and EUR position at all times.

Hiring

We identified a strong rebound of the job market in 2022 with candidates quickly being offered several job offers. Our strong brand enables us to still attract leading candidates, but time to recruit has been increased and salaries have increased.

Investment

In order to finance further our international development and creation of new products, we plan to raise additional investment in the future to finance our path to profitability in the mid term. We engage on a permanent basis with our Board to build this funding strategy and mitigate the risks.

FNATIC LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Financial key performance indicators

Fnatic Ltd Limited uses several key financial performance indicators across the profit and loss account as well as the balance sheet. These include but are not limited to; revenue, gross profit margin, adjusted EBITDA, the quick ratio, aged receivables and aged payables.

Other key performance indicators

Fnatic Ltd Limited operates many differing types of business and as such measures numerous key non-financial performance indicators including but are not limited to; watched hours, follower growth, commerce items sold, average order price, basket size, purchased location.

This report was approved by the board on 4 August 2023 and signed on its behalf.



S M D Mathews
Director

FNATIC LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The director presents his report and the financial statements for the year ended 31 December 2022.

Director's responsibilities statement

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £1,857,498 (2021 - loss £3,071,983).

FNATIC LIMITED

DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Director

The director who served during the year was:

S M D Mathews

Going concern

The financial statements have been prepared on the going concern basis. The Directors have prepared cash flow forecasts through to 31 December 2024, covering at least a 12-month period beyond the signing date of these financial statements. These forecasts include forecasts of cash flows under various future reasonably likely scenarios and project the directors' best estimates of cash flows from expected revenue profiles from the continued operation and performance of the core Fnatic teams and products, together with projections of the results of future fundraising rounds.

Should the expected levels of revenue and fundraising not be reached, these events could cast significant doubt over the Company's ability to continue to operate as a going concern, but the directors have an expectation that this could be mitigated by the Company via the realisation of cost savings in the form of delayed stock ordering and or, delays in staff hiring, or realising the value from the sale of some of Fnatic's assets which the Directors believe to be of sufficient value having reviewed transactions for similar assets in an active market.

The cash flow forecasts through to 31 December 2024 includes fundraising during the period. As presented in the Principal risks and uncertainties of the Director Report, given current Investment market conditions, the company will plan ahead at realising the value from the sale of some of its assets should the Group be unable to raise the required funds from existing or third party investors. The Directors are confident that there is sufficient value in these assets, as well as a sufficiently active market in which to realise these assets, to ensure that the Group can continue to operate as a going concern should the required investment not be obtained.

As the Company is reliant on Group support, and the Directors are comfortable that sufficient measures are in place to ensure that the Group is a going concern, the Directors are comfortable that the Company is a going concern on the basis it will continue to receive Group support for at least 12 months.

Disclosure of information to auditors

The director at the time when this Director's Report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Haysmacintyre LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 4 August 2023 and signed on its behalf.



S M D Mathews
Director

FNATIC LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FNATIC LIMITED

Opinion

We have audited the financial statements of Fnatic Limited (the 'Company') for the year ended 31 December 2022, which comprise .

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The director is responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

FNATIC LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FNATIC LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Director's Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Director's Responsibilities Statement set out on page 3, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director 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, the director is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FNATIC LIMITED (CONTINUED)

Auditors' 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 Auditors' 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

We design procedures in line with our responsibilities. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We reviewed the financial statement disclosures and perform testing on balances and disclosures.
- We inspected correspondence with regulators and tax authorities, and reviewed the companies tax computations.
- We held discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- We evaluated management's controls designed to prevent and detect irregularities;
- We identified and tested journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- We challenged assumptions and judgements made by management in their critical accounting estimates.

We considered the following areas to be those where the financial statements are most susceptible to fraud:

- Revenue recognition: We evaluated management's controls designed to prevent and detect irregularities in revenue, we completed a sponsorship rationalisations to agree the expected revenue based on contracted values to revenue recognised in the accounts and we completed cut off testing on receipts around the year end.
- Valuation of intangible fixed assets: We obtained and challenged managements assessment of the intangible fixed assets and ensured they had been appropriately classified under IAS 38.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

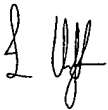
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

FNATIC LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FNATIC LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Ian Cliffe (Senior Statutory Auditor)

for and on behalf of
Haysmacintyre LLP

Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

4 August 2023

FNATIC LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover	4	11,483,655	8,749,543
Cost of sales		(4,876,600)	(4,075,344)
Gross profit		<u>6,607,055</u>	<u>4,674,199</u>
Administrative expenses		(8,907,983)	(8,216,348)
Other operating income	5	388,763	395,933
Operating loss	6	<u>(1,912,165)</u>	<u>(3,146,216)</u>
Tax on loss	10	54,667	74,233
Loss for the financial year		<u><u>(1,857,498)</u></u>	<u><u>(3,071,983)</u></u>

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 12 to 28 form part of these financial statements.

FNATIC LIMITED
REGISTERED NUMBER: 07805670

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	11	206,965	205,429
Tangible assets	12	150,048	148,493
		<u>357,013</u>	<u>353,922</u>
Current assets			
Debtors: amounts falling due after more than one year	13	150,790	140,903
Debtors: amounts falling due within one year	13	28,757,256	26,137,882
Cash at bank and in hand	14	2,127,793	865,161
		<u>31,035,839</u>	<u>27,143,946</u>
Creditors: amounts falling due within one year	15	(44,870,752)	(39,839,402)
Net current liabilities		<u>(13,834,913)</u>	<u>(12,695,456)</u>
Total assets less current liabilities		<u>(13,477,900)</u>	<u>(12,341,534)</u>
Net liabilities		<u><u>(13,477,900)</u></u>	<u><u>(12,341,534)</u></u>
Capital and reserves			
Called up share capital	16	100	100
Other reserves		4,223,914	3,502,782
Profit and loss account		(17,701,914)	(15,844,416)
		<u>(13,477,900)</u>	<u>(12,341,534)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 August 2023.



S M D Mathews
Director

The notes on pages 12 to 28 form part of these financial statements.

FNATIC LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2021	100	2,896,392	(12,772,433)	(9,875,941)
Loss for the year	-	-	(3,071,983)	(3,071,983)
Share based payment charge	-	606,390	-	606,390
At 31 December 2021	-	606,390	-	606,390
At 1 January 2022	100	3,502,782	(15,844,416)	(12,341,534)
Loss for the year	-	-	(1,857,498)	(1,857,498)
Share based payment charge	-	721,132	-	721,132
At 31 December 2022	100	4,223,914	(17,701,914)	(13,477,900)

The notes on pages 12 to 28 form part of these financial statements.

FNATIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Fnatic Limited is a private company, limited by shares, incorporated and domiciled in England and Wales, registration number 07805670. The registered office address is 1 Kingsland Passage, London, United Kingdom, E8 2BB. The company was incorporated on 11 October 2011 in the United Kingdom and Ireland.

The presentation currency of the financial statements is the Pound Sterling (£).

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Sannpa Limited as at 31 December 2022 and these financial statements may be obtained from Companies House.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on the going concern basis. The Directors have prepared cash flow forecasts through to 31 December 2024, covering at least a 12-month period beyond the signing date of these financial statements. These forecasts include forecasts of cash flows under various future reasonably likely scenarios and project the directors' best estimates of cash flows from expected revenue profiles from the continued operation and performance of the core Fnatic teams and products, together with projections of the results of future fundraising rounds.

Should the expected levels of revenue and fundraising not be reached, these events could cast significant doubt over the Company's ability to continue to operate as a going concern, but the directors have an expectation that this could be mitigated by the Company via the realisation of cost savings in the form of delayed stock ordering and or, delays in staff hiring, or realising the value from the sale of some of Fnatic's assets which the Directors believe to be of sufficient value having reviewed transactions for similar assets in an active market.

The cash flow forecasts through to 31 December 2024 includes fundraising during the period. As presented in the Principal risks and uncertainties of the Director Report, given current Investment market conditions, the company will plan ahead at realising the value from the sale of some of its assets should the Group be unable to raise the required funds from existing or third party investors. The Directors are confident that there is sufficient value in these assets, as well as a sufficiently active market in which to realise these assets, to ensure that the Group can continue to operate as a going concern should the required investment not be obtained.

As the Company is reliant on Group support, and the Directors are comfortable that sufficient measures are in place to ensure that the Group is a going concern, the Directors are comfortable that the Company is a going concern on the basis it will continue to receive Group support for at least 12 months.

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.7 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.9 Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.10 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

FNATIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.11 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Trademarks	-	10	years
Players	-		Over the term of the player contract

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	-	20%	on straight-line method
Office equipment	-	33%	on straight-line method
Computer equipment	-	33%	on straight-line method

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.13 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.15 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.16 Financial instruments

The Company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

The Company has elected to apply the recognition and measurement provisions of IFRS 9 Financial Instruments (as adopted by the UK Endorsement Board) with the disclosure requirements of Sections 11 and 12 and the other presentation requirements of FRS 102.

Financial instruments are recognised in the Company's Balance Sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

Other financial assets

Other financial assets, which includes investments in equity instruments which are not classified as subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the recognised transaction price. Such assets are subsequently measured at fair value with the changes in fair value being recognised in the profit or loss. Where other financial assets are not publicly traded, hence their fair value cannot be measured reliably, they are measured at cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the profit or loss.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual

FNATIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.16 Financial instruments (continued)

arrangements entered into. An equity instruments any contract that evidences a residual interest in the assets of the Company after the deduction of all its liabilities.

Basic financial liabilities, which include trade and other payables, bank loans and other loans are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

Debt instruments are subsequently carried at their amortised cost using the effective interest rate method.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Other financial instruments

Derivatives, including forward exchange contracts, futures contracts and interest rate swaps, are not classified as basic financial instruments. These are initially recognised at fair value on the date the derivative contract is entered into, with costs being charged to the profit or loss. They are subsequently measured at fair value with changes in the profit or loss.

Debt instruments that do not meet the conditions as set out in FRS 102 paragraph 11.9 are subsequently measured at fair value through the profit or loss. This recognition and measurement would also apply to financial instruments where the performance is evaluated on a fair value basis as with a documented risk management or investment strategy.

Derecognition of financial instruments

Derecognition of financial assets

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the Company transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the Company will continue to recognise the value of the portion of the risks and rewards retained.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

FNATIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the process of applying its accounting policies, the Company is required to make certain estimates, judgements and assumptions that it believes are reasonable based on the information available. These judgements, estimates and assumptions affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting periods presented.

On an ongoing basis, the Company evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ from the estimate, the effect of which is recognised in the period in which the facts that give rise to the revision becoming known.

The following paragraph details the estimates and judgements the Company believes to have the most significant impact on the annual results under FRS 102.

Intangible Assets - Players

Per FRS 102 a registered player should be recognised as an asset where it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the costs can be measured reliably. Players held by the entity have therefore been held in the accounts at the transfer fee paid to acquire the asset and amortised over the period of the contract to reflect the players services.

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
eSports	2,091,662	1,405,104
Commercial Partnerships	7,150,055	5,654,178
Digital	2,241,938	1,690,261
	<u>11,483,655</u>	<u>8,749,543</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	2,730,936	409,722
Rest of Europe	6,074,627	4,166,162
Rest of the world	2,678,092	4,173,659
	<u>11,483,655</u>	<u>8,749,543</u>

FNATIC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. Other operating income

	2022 £	2021 £
Other operating income	388,763	395,933
	<u>388,763</u>	<u>395,933</u>

Other operating income during the year, relates to Fnatics share of league revenue based on an additional spot being made available in the CSGO league.

6. Operating loss

The operating loss is stated after charging:

	2022 £	2021 £
Exchange differences	(79,836)	23,254
Other operating lease rentals	277,534	483,388
Share-based payment	721,132	606,393
	<u>721,132</u>	<u>606,393</u>

7. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors:

	2022 £	2021 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	16,200	13,500

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated accounts of the parent Company.

FNATIC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Employees

Staff costs were as follows:

	2022 £	2021 £
Wages and salaries	5,531,440	4,218,081
Social security costs	484,450	368,762
Cost of defined contribution scheme	84,481	67,906
	<u>6,100,371</u>	<u>4,654,749</u>

The average monthly number of employees, including the director, during the year was as follows:

	2022 No.	2021 No.
Marketing	27	19
Pro-Gaming	9	9
Product	12	15
Sales	8	10
Administration	16	14
	<u>72</u>	<u>67</u>

9. Director's remuneration

The total directors remuneration for the Company for the year was £150,000 (2021: £165,222)

FNATIC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	(125,321)	(74,233)
	<u>(125,321)</u>	<u>(74,233)</u>
Foreign tax		
Foreign taxation	70,654	-
	<u>70,654</u>	<u>-</u>
Total current tax	<u>(54,667)</u>	<u>(74,233)</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on loss on ordinary activities	<u>(54,667)</u>	<u>(74,233)</u>

FNATIC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	(1,912,165)	(3,146,216)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(363,311)	(597,781)
Effects of:		
Fixed asset differences	428	3,157
Expenses not deductible for tax purposes	159,776	131,360
Additional deduction for R&D expenditure	(92,592)	(55,204)
Surrender of tax losses for R&D tax credit refund	38,799	23,132
Adjustments to tax charge in respect of prior periods	(303)	303
Remeasurement of deferred tax for changes in tax rates	(41,647)	(661,356)
Movement in deferred tax not recognised	173,530	1,078,305
Other differences	70,653	3,851
Total tax charge for the year	(54,667)	(74,233)

FNATIC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Intangible assets

	Trademarks £	Players £	Total £
Cost			
At 1 January 2022	206,535	76,627	283,162
Additions	23,879	61,436	85,315
Disposals	-	(32,154)	(32,154)
At 31 December 2022	<u>230,414</u>	<u>105,909</u>	<u>336,323</u>
Amortisation			
At 1 January 2022	63,511	14,222	77,733
Charge for the year on owned assets	18,492	41,183	59,675
On disposals	-	(8,050)	(8,050)
At 31 December 2022	<u>82,003</u>	<u>47,355</u>	<u>129,358</u>
Net book value			
At 31 December 2022	<u>148,411</u>	<u>58,554</u>	<u>206,965</u>
At 31 December 2021	<u>143,024</u>	<u>62,405</u>	<u>205,429</u>

FNATIC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Tangible fixed assets

	Short-term leasehold property £	Office equipment £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2022	167,096	25,744	122,259	315,099
Additions	17,325	33,078	29,279	79,682
At 31 December 2022	184,421	58,822	151,538	394,781
Depreciation				
At 1 January 2022	70,571	12,707	83,328	166,606
Charge for the year on owned assets	36,446	14,481	27,200	78,127
At 31 December 2022	107,017	27,188	110,528	244,733
Net book value				
At 31 December 2022	77,404	31,634	41,010	150,048
At 31 December 2021	96,525	13,037	38,931	148,493

FNATIC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Debtors

	2022 £	2021 £
Due after more than one year		
Rent Deposit	150,790	140,903
	<u>150,790</u>	<u>140,903</u>
	2022 £	2021 £
Due within one year		
Trade debtors	1,368,294	1,115,103
Amounts owed by group undertakings	26,617,613	23,471,354
Other debtors	125,321	29,471
Prepayments and accrued income	646,028	1,521,954
	<u>28,757,256</u>	<u>26,137,882</u>

14. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	2,127,793	865,161
	<u>2,127,793</u>	<u>865,161</u>

15. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	328,431	362,146
Amounts owed to group undertakings	41,187,117	36,692,582
Other taxation and social security	213,533	125,831
Other creditors	17,988	24,258
Accruals and deferred income	3,123,683	2,634,585
	<u>44,870,752</u>	<u>39,839,402</u>

FNATIC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
100 (2021 - 100) Ordinary shares of £1.00 each	100	100

17. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £87,183 (2021 - £71,234). Contributions totalling £17,988 (2021 - £14,067) were payable to the fund at the balance sheet date and are included in creditors.

18. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	-	249,058
Later than 1 year and not later than 5 years	-	1,146,116
Later than 5 years	-	58,904
	-	1,454,078

The Company switched to a rolling monthly rate, no non-cancellable operating leases commitments at the balance sheet date.

19. Related party transactions

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned group entities.

During the year Fnatic Limited were charged £52,332 (2021: £87,234) by Sports Entertainment Creative Consulting Capital SAS (a company with a common director).

20. Controlling party

The parent company of Fnatic Limited is Sannpa Limited. The registered office is 1 Kingsland Passage, London, United Kingdom, E8 2BB.

There is no ultimate controlling party.