Smarkets

Annual Report & Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

COMPANY REGISTRATION NUMBER 06475845 (ENGLAND AND WALES)

Who we are

About Smarkets

Smarkets operates one of the world's largest regulated exchange platforms for betting and trading on sports and politics. Our software operates like a financial exchange, while our focus on price and technology means that we often have the best odds in the world on the biggest sporting and political events. Customers can use either the Smarkets exchange - for a sophisticated betting and trading experience - or our SBK sportsbook app for a simpler presentation of our market-leading prices.

Our mission is to make betting and trading on events fairer, and we believe that betting should be priced like a commodity, because it is one. Founded in 2008, Smarkets is an innovator in the industry, pioneering the use of financial technology in betting. Our state-of-the-art platform is capable of processing hundreds of bets per second and has allowed us to maintain our industry-leading commission rates. Our platform is powered by sophisticated proprietary technology that has been built in-house by world-class engineers and this enables us to run a leaner and more efficient business than any of our competitors.

As an organisation, Smarkets is driving innovation in the workplace and currently employs over 90 individuals in a dynamic structure across our offices in London and Malta

Company information

Director	Jason R. Trost
Secretary	Jason R. Trost
Company number	06475845
Registered office	1 Commodity Quay, Floor 7 St Katharine Docks London United Kingdom E1W 1AZ
Auditor	BDO LLP 55 Baker Street London United Kingdom W1U 7EU

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Chief Executive Officer's Review

2023 marked a reset year for Smarkets. By the end of 2022, we reviewed our operations and downsized our team in response to changing economic conditions. The new year brought fresh challenges, with high inflation and increased living costs. It is a testament to our heritage as a lean, bootstrapped organisation and our talented team, that we were able to grow alongside a significant reduction in our cost base.

Jason R. Trost
CEO Smarkets

Chief Executive Officer's Review

Over the past 12 months, we returned to profitability for the first time since 2019 and achieved a revenue of £21 million on the back of a record year for SBK. This growth occurred despite a 60% reduction in annual marketing spend, was driven by a relentless focus on product quality and bringing the best price possible to our customers.

We accelerated our development efforts, releasing several key features to enhance the user experience. In particular we improved and broadened our selection of trading options, adding new sports player markets, bet builder and accumulator trades. We delivered a best-in-class signup flow for customers alongside significant improvements in the look-and-feel of our product.

A major strategic goal of the year was to maintain momentum in the most cost-effective way possible. This was achieved with a 3% increase in gross revenue coupled with a 40% reduction in costs. The business completed a major internal reorganisation that reduced our headcount from 140 to 91. Non-payroll costs were reduced 45% over the prior year with efficiencies found in all departments through reviews of operational processes, automation and renegotiation of contracts.

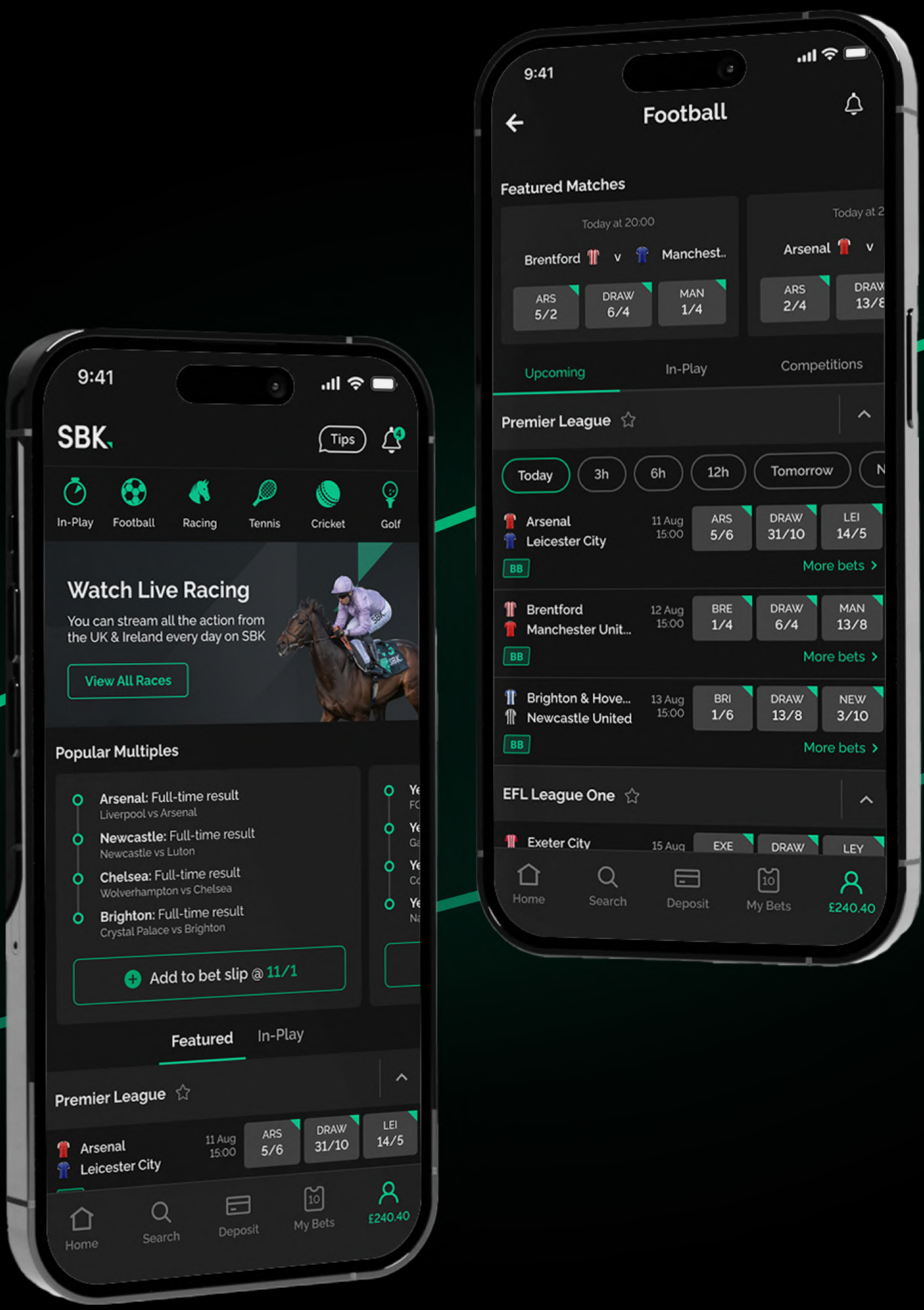
I am proud that Smarkets is returning to its roots as a lean organisation that is laser-focused on bringing our customers the best price and best product experience. It is a testament to our culture and the quality of our employees that we have been able to rebuild so quickly, while maintaining revenue growth. Our commitment to reforming the betting industry remains unwavering, and we are looking forward to taking major steps forward towards this vision in 2024.

2023 Highlights

£21m Revenue	16% Increase compared to 2022.
£15m Gross profit	68% Increase compared to 2022.
37k Avg monthly active users	40% Decrease of all expenses
91 Total numbers of employees	2 Global offices

SBK

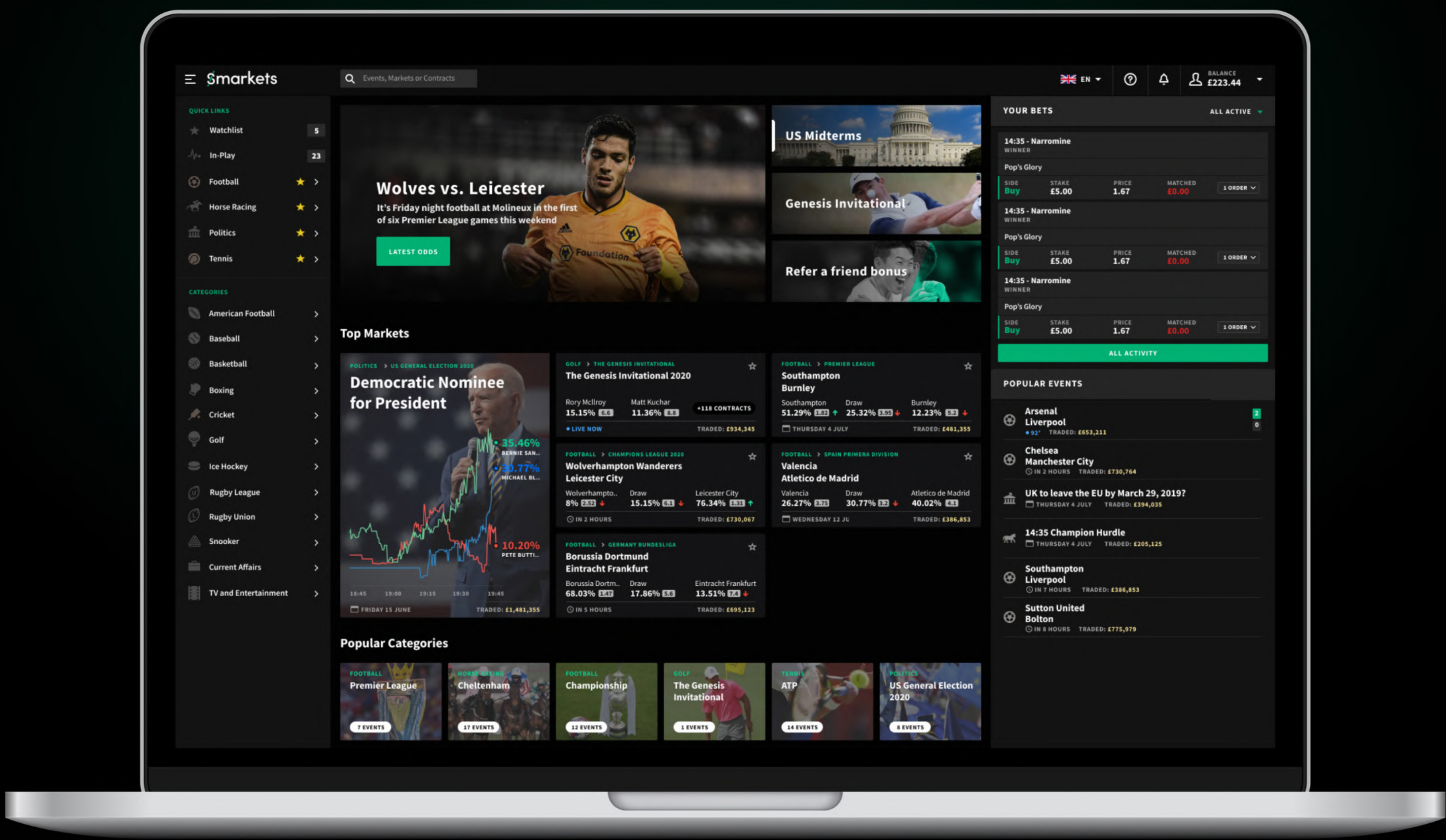
New homepage and sports category pages



SBK

New payments hub and bet slip

Smarkets


Smarkets
QUICK LINKS
Watchlist
In-Play
Football
Horse Racing
Politics
Tennis
CATEGORIES
American Football
Baseball
Basketball
Boxing
Cricket
Golf
Ice Hockey
Rugby League
Rugby Union
Snooker
Current Affairs
TV and Entertainment
Wolves vs. Leicester
It's Friday night football at Molineux in the first of six Premier League games this weekend
LATEST ODDS
US Midterms
Genesis Invitational
Refer a friend bonus
Top Markets
Democratic Nominee for President
The Genesis Invitational 2020
Southampton
Burnley
Wolverhampton Wanderers
Leicester City
Valencia
Atletico de Madrid
Borussia Dortmund
Eintracht Frankfurt
Popular Categories
Premier League
Cheltenham
Championship
The Genesis Invitational
ATP
US General Election 2020
YOUR BETS
ALL ACTIVE
14:35 - Narromine
Pop's Glory
ALL ACTIVITY
POPULAR EVENTS
Arsenal
Liverpool
Chelsea
Manchester City
UK to leave the EU by March 29, 2019?
14:35 Champion Hurdle
Southampton
Liverpool
Sutton United
Bolton

Strategic report

How we operate and who we are

Smarkets Limited (the "Company") and its subsidiaries (together "Smarkets" or the "Group") own and operate an online betting exchange platform which enables users to set prices and bet against other traders, rather than against a bookmaker, on sporting and other events. Unlike traditional bookmakers, the exchange offers both buy and sell prices, and these both continually change during the events themselves up until their conclusion. The platform is state of the art - secure, transparent, highly responsive and efficient, and with rapid access to deep resources of market data.

In 2023, we focused heavily on our sportsbook app, SBK, as a primary growth product, which integrates industry- leading exchange into a sleek and easy-to-use sportsbook format. SBK has been built on top of the exchange, so users of both products enjoy the same odds and variety of markets, but can choose whether they prefer the extra functionality provided by the exchange or the simpler display of a sportsbook which only shows buy prices. Ultimately, with sportsbooks accounting for the vast majority of market share in the UK betting industry, SBK allows the company to target a wider audience and will be a key tool for growth moving forward.

Online betting on sports, politics, and current affairs continues to be a popular and rapidly growing activity in the UK, and more recently in the US as a result of the May 2018 overturning of PASPA (Professional and Amateur Sports Protection Act of 1992) by the US Supreme Court. This ruling allows states to legalise sports betting, creating significant growth opportunities in markets beyond Nevada.

To remain competitive and in order to attract users, the Group has to offer a market-differentiable experience and provide a reliable and robust service. To meet these challenges, Smarkets has developed a website and mobile applications with an innovative underlying betting engine, which are each continually refined and evolving. In particular, the software engineering team at Smarkets works to find faster ways of handling the large volumes of customer, market and transaction data and making it accessible to the community, thus democratising event trading for all.

Product and Technology

In 2023, we significantly ramped up our product development efforts, executing at a faster pace and higher standard. Our standout achievement has been levelling up the SBK product, by focusing on the key user journeys: sign-up, payments, bet placement, and content discovery. Our goal is for SBK to be in the top 10 products in the market, which we aim to achieve by creating a more compelling value proposition for our customers.

We started the year by revamping payments on SBK and improving the deposit and withdrawal experience, making transactions quicker, more intuitive, and more cost effective. A major overhaul of the SBK app homepage for UK and US markets improved navigation and content accessibility. We introduced each-way betting markets for golf and expanded live streaming to cover additional race tracks, allowing SBK and Smarkets users to watch live races directly within our apps, adding excitement and convenience.

We significantly improved our bet builder (or same game parlay in the US) portfolio by improving the presentation layer, and enhancing our player props offering on football, NFL and NBA. We also introduced Quick Builder, an innovative functionality that allows users to create bet builder bets fast and easy in a gamified UI.

In the second half of the year, we rolled out our new SBK app sign-up process, the quickest sign up process in the industry, which has improved our account creation conversion rate. The redesigned SBK bet slip simplified the betting process, enabling quicker trades and fewer clicks, while also enabling app navigation with the bet slip open. The new bet slip is fully customizable, allowing users to set up quick stakes or default stakes.

On the promotions side, we launched bet bundles and bet boosts, two new promotional mechanics that add to the excitement of the SBK product, allowing users to either purchase free bets at a favourable cost, or to boost the odds of selected events.

In the final stretch of the year, we launched full cover bets on SBK, one of our most requested features, allowing users to place multiple bets at once covering all possible permutations of a multiples bet. Our go-to-market messaging focused on our innovative take on it – Advance Payout – which pays out winnings progressively, thus allowing users to access and recycle their winnings faster than with any other sportsbook.

Throughout 2023, our commitment to innovation and user experience remained unwavering. Our exceptional execution has strengthened our industry position, allowing us to improve the betting experience on SBK, while continuously meeting the evolving needs of our customers.

Business model

Smarkets generates revenue primarily through commission, a transaction fee charged to customers based on their net winnings in individual markets. Thanks to our advanced technology, we offer an industry-low flat commission rate of 2%. Additionally, customers introduced from some partners benefit from 0% commission.

In addition to our standard transaction fee, we have two other tiers. The Pro Tier applies a 1% commission on winnings or losses from each individual trade that settles. The Select Tier is designed for customers with accounts exceeding £25,000 in net profit over the previous 12 months, applying a 3% commission on winnings or losses per trade.

The Group, through its 100%-owned subsidiary Hanson Applied Sciences II Limited, also provides liquidity on the exchange - and therefore SBK - through algorithmic trades. These trades are risk managed and serve to enhance the user experience while also generating profits. As we continue to expand, our focus remains on offering better prices and further enhancing liquidity in existing and new markets.

Our products allow us to appeal to a very diverse audience, with our exchange appealing to high-value traders or market professionals and SBK allowing us to offer market-leading odds to a more recreational audience. Our acquisition efforts are primarily targeted via industry affiliates but as the SBK brand continues to grow, a noticeable shift can be seen towards organic acquisition, a key trend to support large growth levels in the future.

In 2023, our focus shifted towards retention strategies on SBK in particular, improving the lifecycle of our customers and seeing a stronger return on our investments to acquire them. Acquisition efforts were scaled back versus previous years, but heavily optimised to ensure a positive return on each pound spent. The SBK product also went through significant development in order to match the wants and needs of our customers, which alongside our industry leading odds contributed to the overall improved retention and product satisfaction seen across our user base and delivered a high quality customer experience.

Market context

The UK online sports betting industry total Gross Gaming Yield (GGY) amounted to £2.3 billion in 2023, highlighting the potential for a betting-only company like Smarkets. The growth of our mainstream app SBK enabled us to expand our success by targeting the UK retail market and testing our competitive pricing in other territories.

Smarkets maintains a strategy of bringing disruption to mature, well-regulated markets, and in Q4 of 2023 we increased our focus on Sweden and Ireland. The Swedish market is mature and stable with online gambling generating £1.2 billion in revenue in 2023. The Irish market is awaiting government regulation but estimates place that market at €2 - 2.4 billion, with similar betting habits and customer-types to the UK.

In the United States, the total sports betting revenue in 2023 reached $10.9 billion. Colorado, where sports betting debuted in May 2020, saw a GGY of $351 million in the 12 months ending December 2023. Similarly, in Indiana, where Smarkets launched SBK in 2022, 2023 GGY reached $440 million.

Smarkets currently holds licences to operate in the UK, Malta, Sweden, and Ireland, as well as in the US states of Colorado and Indiana. The majority of our betting volume in 2023 was generated in the UK, where we face competition from industry leader Betfair and other smaller exchange operators. In 2024, our focus will be on improving our product offering, and capturing market share in the UK market.

Financial review

The Group made a profit before taxation of £1,999,000 in the year ended 31 December 2023 which represents an increase of 111% from the previous year.

An overview of the 2023 performance is as follows:

	2023 £000	2022 £000	Increase/ Decrease 22/21
Average monthly active users	37,108	48,670	(23.76)%
Revenue	20,997	18,083	16.11%
Cost of sales	(5,881)	(9,071)	(35.17)%
Gross profit	15,116	9,012	67.73%
Administrative expenses	(14,271)	(27,013)	(47.17)%
Other income and expense	1,154	276	318.12%
Profit/ loss before tax	1,999	(17,725)	111.28%

Customer activity

In 2023 our focus was to achieve improved cost control over both Smarkets and SBK products with a shift in strategy towards customer retention following a strong year of acquisition in 2022.

As such customer acquisition on Smarkets product declined by 45% and 68% on SBK vs 2022. Following a raft of product improvements on SBK, customer retention improved significantly from Q2 2023 onwards, showing a 23% increase versus the same period in 2022. User retention increased on Smarkets by 3% YoY following a decision to terminate an agreement with one of our primary affiliate partners which was showing low ROI following large spikes in low value new customers, but this had a negative effect on customer acquisition.

Due to a pivot in strategy towards retention on SBK alongside the giant steps taken on the product itself, customer deposits increased by £2.5m and active customers by 6% in Q4 2023 versus the same period in 2022 with monthly revenue from SBK surpassing £1m for the first time in December. This provides us with a great platform to kick on from in 2024 where our focus in Q1 is to launch the web version of the product ahead of a busy trading period that features The Cheltenham Festival, Grand National and Euros football tournament in the summer.

Financial discipline will continue to be paramount and while we intend to increase our marketing spend, this will align with the revenue position of the business. We anticipate further decline in active customers and revenue on Smarkets due to a market decline in our core customer group, Matched Bettors, alongside the increased regulatory pressures of affordability checks that have and will continue to impact the sports betting industry.

Revenues

In 2023, the Group's revenue reached £21m, marking a 16% increase compared to 2022. Despite a 11% decline in exchange revenue year on year, there was growth in SBK revenue, which surged by 52% compared to the previous year. This growth can be attributed to continuous efforts aimed at enhancing our product significantly and boosting customer retention.

Costs

In 2023, the Group realised substantial cost efficiencies, with full-year expenses reduced by 40% compared to the previous year. A key driver of this efficiency was the control over the cost of sales, which fell to £5.9m from £9m, and continues to be managed effectively as SBK scales. Looking ahead, costs are expected to remain relatively flat year-over-year, helping to maintain cost of sales and sales & marketing margins while further improving operating margins.

Profitability

The Group reported a profit before taxation of £2m for 2023 compared to the loss of £17.7m for 2022.

Balance sheet

As of 31 December 2023, the total assets of the Group amounted to £37.3m, compared to £44.1m in the previous year-end. These assets include segregated short-term bank accounts holding customers deposits for betting purposes which decreased from £32.1m to £26.8m.

Capital

The Group reported net assets of £0.5m, an improvement from the net liabilities of £2.8m at the previous year-end.

Risks

The Company maintains a register of risks that may impact operations or future activities and results. Key risks identified include:

Technology

Smarkets, being a technology Company, faces the risk of technological failure which could disrupt its operations. The Group mitigates this risk by investing in our technical workforce, ensuring the robustness of our technology and delivery mechanisms, including disaster recovery plans.

Regulatory

Changes in licence requirements and regulation can impact the Group's ability to conduct business in certain jurisdictions or increase compliance and regulatory maintenance costs. To manage these risks, the Group monitors regulatory changes, and collaborates with regulators in a proactive fashion to facilitate adherence to requirements as they evolve.

Events

The Group's revenues are impacted by sporting events outcomes. Risk managers monitor and manage the level of exposure to events, adjusting parameters and hedging positions as and when necessary.

Force majeure

A pandemic, societal unrest or unforeseen forces can disrupt the sporting calendar potentially leading to revenue loss for Smarkets.

Competition

The online betting market is highly competitive, posing a risk to Smarkets's customer base and expansion plan. The Group faces the challenge of retaining existing customers and attracting new ones amidst fierce competition for share of wallet in the industry.

Taxation

Changes in Governments taxation policies, related to the betting industry or otherwise, can represent a risk for the Group's revenue.

People

Smarkets strives to attract and retain exceptional talent by prioritising staff incentives and fostering a progressive company culture. However, changes of circumstances or attitude towards the Group or the betting industry could pose a risk to employee retention.

Geopolitical

Smarkets is exposed to developments in the European Union ("EU") due to its customer base and workforce in EU member countries. The consequences of the UK withdrawal from the EU still remain negative and could potentially impact Smarkets's activities. By holding licences in the UK, Ireland and Malta, the Group tries to mitigate potential geopolitical risks.
The management conducts reviews of customers, suppliers, and partners to ensure compliance with sanction lists, which is considered a low-risk area.

Reliance on third parties

Smarkets relies on third-party services, such as financial institutions and payment suppliers to provide these services. Any withdrawal or disruption of these services can impact the Group's operational efficiency. The Company has not experienced significant supply shocks as its products are software-based.

Financial

The Group is exposed to various financial risks, including credit, liquidity, market (such as sporting outcomes), foreign currency and interest-rate risks. These risks are further discussed in note 28 of the financial statements.

Economic

Although concerns arise about consumer sentiment and inflation in the UK and other markets, management has taken these factors into account in their forecasts. They do not believe any changes in discretionary spending will significantly affect betting.

Safer Gambling

Smarkets takes its commitment to bettor safety measures seriously. We invest continuously in technological innovations to enhance Safer Gambling initiatives. These include:

- Automated verification processes to verify a customer's age and checks against national databases of self-excluded customers before any betting can occur.
- Proactive automated screening to identify signs of financial stress among our customers, providing support and advice for those experiencing affordability concerns.
- Utilisation of a safer gambling behavioural model that analyses live betting data through various methods to identify potential at-risk customers.
- A dedicated safer gambling team responsible for interacting with potentially at-risk customers providing them with information and tools needed to bet safely.
- Customer-facing tools for safer gambling such as deposit and loss limits, "time-out" options for customers to take a break from their betting as well as self-exclusion tools for customers who would like their account closed for six months or over a longer period.
- Training programs for customer-facing and product employees to promote safer gambling practices.
- Providing information and directing employees and customers to organisations that can assist with gambling-related concerns.

Additionally, Smarkets makes annual financial contributions to organisations involved in researching and addressing gambling-related harm, developing prevention approaches, and providing treatment for those affected by gambling.

Smarkets is commited to promoting responsible and safer gambling practices for its customers.

People

Smarkets started 2023 with a global headcount of 110. Following the cost control measures implemented in November 2022 and our decision to maintain the strength of our product and teams, we anticipated a certain level of voluntary attrition. This prompted us to reopen our hiring pipelines as early as Q1 2023.

We believe the size of our team is fit for purpose around 100 employees. From Q1 2023, we successfully reactivated our recruitment efforts, with a focus on attracting talent in London. The teams demonstrated dedication and successfully closed strategic roles such as the Head of Engineering and Head of People entirely through internal efforts.

A significant challenge in 2023 was redefining our culture, a journey that continues as we close the year. Championing our core values remained a focus in 2023, believing they continue to represent who we are as a business and as individuals. To reinforce them we ensured they were integrated in all our key processes and policies including hiring practices and performance cycles.

To sharpen our focus on performance, we introduced a performance management system with a twice yearly cycle. Additionally, we developed and implemented a level framework across all departments, while placing a strong emphasis on upskilling our management layer. A key initiative was the implementation of a training guild dedicated to supporting our engineering managers.

With employee wellbeing as a top priority, the People team introduced new wellness initiatives, including an enhanced Private Health Insurance (PHI) offer and more physical activities in the office. We continued to gather feedback from our teams to identify opportunities for further improving job satisfaction and employee loyalty.

On behalf of the board

Jason R. Trost

Director

11 / 10 / 2024


smarkets










Director’s responsabilities statement

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

Company law requires the Director to prepare Group and Parent company financial statements for each financial year. Under that law the Director has elected to prepare the group and parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and has elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 Group and parent company and of the Group’s profit or loss for that period. In preparing each of the Group and parent company financial statements, the Director is required to:

• select suitable accounting policies and then apply them consistently;

• make judgements and estimates that are reasonable and prudent;

• for the parent financial statements, state whether they have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice including FRS101 Reduced Disclosure Framework;

• 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 enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for such internal control as he deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Director's report

The Director presents his Annual Report and Financial Statements for the year ended 31 December 2023. The Chief Executive Officer's review set out on page 1 forms part of this report.

Principal Activities

The Group Director's Report should be read in conjunction with the other sections of this Annual Report including the Group Strategic Report on pages 2 to 7 which provides an overview of the Group's principal activities, factors influencing its future development, and a description of its financial position. In addition to these sections, the following information is also included in this report:

- Financial Instruments: Detailed information on the Group's financial instruments is provided in the notes to the financial statements.

- Related Party Transactions: The report includes a disclosure of any transactions between the Group and its related parties, as outlined in the notes to the financial statements.

- Future Developments and Significant Events: The report provides an indication of likely future developments in the business, giving insights into the Group's strategic plans and initiatives.

- Additionally, any significant events that have occurred since 2023, up to the date of this report, are also discussed.

It is important to consider all of these sections together to gain a comprehensive understanding of the Group's performance, financial position, and prospects.

Results and Dividends

The results for the year are set out on page 15.

No ordinary dividends were paid. The Director does not recommend payment of a final dividend.

Share capital

During the year ended 31 December 2023, 6,510 Ordinary Shares were issued as a result of the exercise of share options (2022 – 27,125 Ordinary Shares were issued through the exercise of share options). There were no changes to the authorised share capital of the Company during the year.

Director

The Director who held office during the year and up to the date of signature of the financial statements was as follows: Jason R. Trost

Research and Development

Throughout the year ending 31 December 2023, the Group has dedicated significant resources to innovating the SBK product by introducing various new features, as detailed in the Strategic Report on pages 2 to 7. This effort included ongoing enhancements to the software and infrastructure that underpin the Group's operations. The technical development team concentrated on creating a highly competitive product, investing considerable time in developing innovative functionalities aimed at enhancing the betting experience on SBK.

Events occurring after the reporting date are discussed in note 30 to the financial statements.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

Statement of disclosure to auditor

The Director in office at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware, and

- the Director has taken all the steps that he ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going Concern – Basis of Preparation of Accounts

The Group recorded net assets of £0.4m (2022 - net liabilities of £2.8m), net current liabilities of £3.2m (2022 - net current liabilities of £4.5m) and a profit for the year of £2.7m (2022 - loss of £15.4m). The Director has at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Thus the Director continues to adopt the going concern basis of accounting in preparing the financial statements.

The Group realised significant cost savings and implemented major efficiencies in 2022 and 2023, and continues to benefit from these in 2024. This enabled the business to become profitable with profit before taxation of £2.0m (2022 – loss of £17.7m). Going forward, the Group expects to keep a profit position over the next 12 months, which will allow for a renewed focus on the strategy into the longer term. Given this, and for the reasons set out below, the financial statements have been prepared on a going concern basis, which the Director considers to be appropriate.

The Director of the Group has prepared forecasts of future profitability, cash-flow and capital adequacy of the Group for the period up to 31 December 2025 to assess whether the Group has sufficient funds to meet its liabilities as they fall due for that period. These forecasts included the modelling of scenarios including consideration of:

- SBK remains on a growth trajectory
- Reduced trading volumes on the Smarkets exchange
- Inflation impacting cost levels

Various scenarios have also been considered in relation to the tax liability. The Company strongly disputes the assessment of the tax authority and is confident of its success in an appeal. If the appeal is successful, as anticipated, and the liability significantly reduced or, indeed, fully quashed, then the Company will continue operations for the next 12 months.

In a scenario where the tax-related appeal mentioned in the note 24 is unsuccessful, resulting in an immediate and full payment on demand, coupled with a significant downturn in revenue, the Group still has sufficient resources on hand to settle the liability and continue to operate. However, the Director believes this scenario is highly unlikely. Consequently, the Group is forecast to continue operations as a going concern for at least 12 months from the date of signing the financial statements.

Annual Report and Accounts

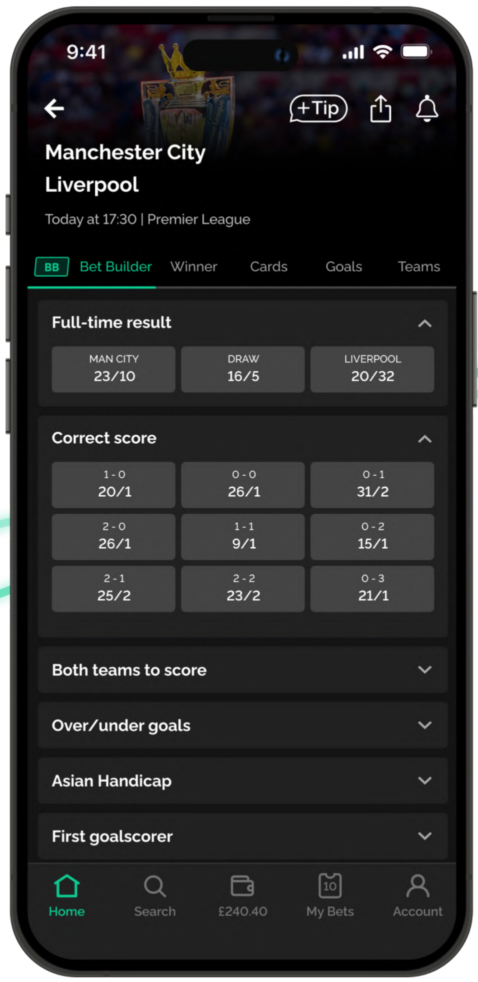
The Director is aware of his responsibilities in respect of the Annual Report. The Director considers that the Annual Report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Director's Responsibilities Statement appears on page 8.

On behalf of the board

Jason R. Trost

Director

11/10/2024



Independent auditor's report

To the members of Smarkets Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards.
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Smarkets Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2023 which comprise the Consolidated Statement of profit or loss and other comprehensive income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the Consolidated and Company financial statements including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law UK adopted international accounting standards.

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 Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 Group or Parent 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 Director is responsible for the other information. The other information comprises the information included in the Strategic report and director's report, other than the financial statements and our auditor's report thereon. 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.

Other Companies Act 2006 reporting

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.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 Director

As explained more fully in the Statement of Director's Responsibilities, 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 determine 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 Group's and the Parent 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 intend to liquidate the Group or the Parent Company or to cease operations, or have 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 (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.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

Non-compliance with laws and regulations

Based on:

• Our understanding of the Group and the industry in which it operates;

• Discussion with management and those charged with governance; and

• Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be Companies Act 2006 and UK adopted international accounting standards.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Our procedures in respect of the above included:

• Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations

• Review of financial statement disclosures and agreeing to supporting documentation; and

• Review of legal expenditure accounts to understand the nature of expenditure incurred.

• Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to detecting and responding to the risks of fraud;
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Based on our risk assessment, we considered the areas most susceptible to fraud to be Management override of controls and revenue.

Our procedures in respect of the above included testing a sample of journal entries throughout the year, which met defined risk criteria, by agreeing to supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 him in an auditor's 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.

DocuSigned by:
Jason Goodhind
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Jason Goodhind (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor, London, UK

11 October 2024

BDO LLP is a limited liability partnership registered in England and Wales (With registered number OC305127)

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 december 2023

	Notes	2023 £000	2022 £000
Revenue	4	20,997	18,083
Cost of sales		(5,881)	(9,071)
Gross profit		15,116	9,012
Other operating income	5	242	128
Administrative expenses		(14,271)	(27,013)
Operating profit/(loss)	6	1,087	(17,873)
Financial income	10	977	264
Financial expense	11	(65)	(116)
Profit/(loss) before taxation		1,999	(17,725)
Taxation	12	667	2,301
Profit/(loss) and total comprehensive loss for the year		2,666	(15,424)

The notes on pages 19 - 52 form an integral part of these financial statements.

Consolidated statement of financial position

for the year ended 31 december 2023

	Notes	2023 £000	2022 £000
Non-current assets			
Intangible assets	13	2,034	5
Property, plant and equipment	14	1,033	1,958
Other receivables	16	1,115	700
		4,182	2,663
Current assets			
Trade and other receivables	16	946	803
Tax receivable	12	2,096	3,886
Cash and cash equivalents	19	30,085	36,606
Other financial assets	18	34	151
Assets held for sale	17		15
		33,161	41,461
Total assets		37,343	44,124
Current liabilities			
Trade and other payables	20	35,734	44,911
Current tax liabilities		105	82
Lease liabilities	22	479	957
Other financial liabilities	19	107	57
		36,425	46,007
Net current liabilities		(3,264)	(4,546)

Consolidated statement of financial position

for the year ended 31 december 2023

	Notes	2023 £000	2022 £000
Non-current liabilities			
Lease liabilities	21	445	885
Net assets/(liabilities)		473	(2,768)
Equity attributable to equity holders of the Parent			
Share capital	28	15	15
Share premium reserve	27	27,817	27,816
Capital redemption reserve		3	3
Retained earnings		(27,362)	(30,602)
Total equity		473	(2,768)

The notes on pages 19 - 52 form an integral part of these consolidated financial statements.

The financial statements were approved and signed by the Director and authorised for issue on 11/10/2024.

Jason R Trost
Director

Group statement of changes in equity

for the year ended 31 december 2023

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2022		15	27,813	3	(14,048)	13,783
Loss and total comprehensive loss for the year						
Issue of share capital	27		3		(15,424)	(15,424)
Buy back of shares						3
Share-based payments	26				(735)	(735)
Exchange movements					102	102
					(497)	(497)
Balance at 31 December 2022		15	27,816	3	(30,602)	(2,768)
						13,783
Profit and total comprehensive income for the year					2,666	2,666
Issue of share capital	27		1			1
Share based payments	26				156	156
Exchange movements					418	418
Balance at 31 December 2023		15	27,817	3	(30,602)	473

Group consolidated statement of cash flows

for the year ended 31 december 2023

	Notes	2023 £000	2023 £000
Cash flows from operating activities			
Profit/ Loss for the year		2,666	(15,424)
Adjustments for:			
Depreciation of property, plant and equipment	14	761	905
Amortisation of intangible assets	13	139	163
Write-off of intangible assets			1,756
Share based payment expenses		312	204
Net financial expense		(912)	(148)
Effect of foreign exchange movements		500	(820)
Income tax expense	12	(667)	(2,301)
		2,799	(15,665)
Decrease/ (Increase) in trade and other receivables		(558)	553
Decrease/ (Increase) in other financial assets		117	(55)
(Decrease)/ Increase in trade and other payables		(9,177)	3
Increase in other financial liabilities		50	14
		(6,769)	(15,150)
Income tax recovered / (Paid)		2,470	(199)
Net cash (outflow) from operating activities		(4,299)	(15,349)
Purchase of intangible assets	13	(2,168)	(406)
Proceeds on disposal of intangibles	13		30
Purchase of property, plant and equipment	14	(9)	(244)

Group consolidated statement of cash flows

for the year ended 31 december 2023

	Notes	2023 £000	2022 £000
Proceeds on disposal of property, plant and equipment	14	318	30
Interest received	10	977	264
Net cash used in investing activities		(882)	(326)
Proceeds from issue of shares	28	1	3
Share buyback	28		(735)
Interest paid	11	(65)	(116)
Payment of lease liabilities		(918)	(718)
Net cash used in financing activities		(982)	(1,566)
Net decrease in cash and cash equivalents		(6,163)	(17,241)
Cash and cash equivalents at beginning of year		36,606	53,771
Effect of foreign exchange rates		(202)	178
Cash and cash equivalents at end of year		30,241	36,708

Notes to the group financial statements

for the year ended 31 december 2023

1. Accounting policies

Company information

Smarkets Limited (the "Company" or the "Parent") is a private company limited by shares incorporated in England and Wales. The registered office is 1 Commodity Quay, Floor 7, St Katharine Docks, London, United Kingdom, E1W 1AZ. The Company's principal activities and nature of its operations are disclosed in the Director's report.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

1 .1 Accounting convention

The Group consolidated financial statements have been prepared and approved by the Director in accordance with UK-adopted international accounting standards ("UK-adopted IFRS").

The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 55 to 58.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group consolidated financial statements.

The preparation of financial statements in conformity with UK-adopted IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. However, the Director has not had to make any judgements resulting in a material financial impact on the financial statements as a result of the application of these accounting policies.

Amounts are rounded to the nearest thousand, unless otherwise mentioned. The financial statements are prepared in Pound Sterling, which is the functional currency of the Group.

The financial statements are prepared under the historical cost basis, except that are stated at their fair value. The principal accounting policies adopted are set out below.

1. 2 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries are consolidated in the Group's financial statements from the date that control commences until the date that control ceases.

1.3 Going concern

The Group recorded net assets of £0.4m (2022 - net liabilities of £2.8m), net current liabilities of £3.2m (2022 - net current liabilities of £4.5m) and a profit for the year of £2.7m (2022 - loss of £15.4m). The Director has at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Thus the Director continues to adopt the going concern basis of accounting in preparing the financial statements.

The Group realised significant cost savings and implemented major efficiencies in 2022 and 2023, and continues to benefit from these in 2024. This enabled the business to become profitable with profit before taxation of £2.0m (2022 – loss of £17.7m). Going forward, the Group expects to keep a profit position over the next 12 months, which will allow for a renewed focus on the strategy into the longer term.Given this, and for the reasons set out below, the financial statements have been prepared on a going concern basis, which the Director considers to be appropriate.

The Director of the Group has prepared forecasts of future profitability, cash-flow and capital adequacy of the Group for the period up to 31 December 2025 to assess whether the Group has sufficient funds to meet its liabilities as they fall due for that period. These forecasts included the modelling of scenarios including consideration of:

- SBK remains on a growth trajectory
- Reduced trading volumes on the Smarkets exchange
- Inflation impacting cost levels

Various scenarios have also been considered in relation to the tax liability. The Company strongly disputes the assessment of the tax authority and is confident of its success in an appeal. If the appeal is successful, as anticipated, and the liability significantly reduced or, indeed, fully quashed, then the Company will continue operations for the next 12 months.

In a scenario where the tax-related appeal mentioned in the note 24 is unsuccessful, resulting in an immediate and full payment on demand, coupled with a significant downturn in revenue, the Group still has sufficient resources on hand to settle the liability and continue to operate. However, the Director believes this scenario is highly unlikely. Consequently, the Group is forecast to continue operations as a going concern for at least 12 months from the date of signing the financial statements.

1.4 Revenue

The Group has applied the five-step model set out in IFRS 15, Revenue from Contracts with Customers, in order to determine the revenues to be recognised, the five steps being: Identify the contract, Identify the performance obligations in the contract, Determine the transaction price, Allocate the transaction price to the performance obligations in the contract, and Recognise the revenue when the entity satisfies the performance obligation.

The Group recognises revenue from the following major sources:

- Commission revenue
- Net gaming revenue
- Customer bonuses granted (reduction to revenue)

The nature, timing of satisfaction of performance obligations and significant payment terms of the Group's major sources of revenue are as follows:

Commission revenue

Revenue from the Group's online betting exchange arises from the commission earned on betting transactions on individual sporting and other events entered into by customers of the exchange. The obligation of the exchange is to facilitate and settle these bets to the respective customer accounts once the outcome of the sporting or other event is known and hence the amount of the winning and losing customer bets is determinable. The commission, calculated on the amount of the winning customer bets, is recognised on this settlement date. The commission is recognised and measured in accordance with IFRS 15, Revenue from Contracts with Customers, and as such the commissions are not accounted for as derivatives, because the fair value of such contracts does not fluctuate based on an underlying variable.

Net gaming revenue

Revenue from betting activities on individual sporting and other events comprises income from remote gaming transactions i.e. bets entered into on sporting and other events made with counterparties, these being either online betting exchanges or other gaming transaction providers. This income comprises the aggregate amount due in respect of winning bets shown after deduction of the amounts lost on losing bets and any commissions incurred. This revenue is recognised once the outcome of the sporting or other event is known and hence the amount of the winning and losing bets is determinable.

The value of open betting positions is recognised in revenue based on the best estimate of the amount that will be required to settle the position at the balance sheet date. The transactions are accounted for as derivatives at fair value in accordance with note 1.12 below with the change in value being recognised in revenue.

Customer bonuses granted (reduction to revenue)

Bonuses granted to customers of the exchange are recognised as a liability when the customer fulfils the criteria to qualify for the bonus offered and the cost is accounted for as an offset to revenue.

1.5 Intangible assets other than goodwill

Externally acquired intangible assets

All intangible assets acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible assets.

The estimated useful lives are as follows:

Access intangibles	Contractual period of the market access rights granted
Other intangibles	3 years

Amortisation methods, useful lives and residual values are reviewed at each balance sheet date.

Internally generated intangible assets (development costs)

Platform development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale;
- The intention to complete the software and use or sell it;
- The ability to use the software or sell it;
- The software will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software; and
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is provided on intangible assets to write-off the cost, less any estimated residual value, over their expected useful economic life, using the straight-line method. Amortisation is included within administrative expenses.

Intangible assets are amortised over the following useful economic lives:

Smarkets Platform	5 years

1.6 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets are recognised and measured as described in note 1.18.

Depreciation is recognised on a straight-line basis so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	Life of lease
Leasehold improvements	10 years or the remaining life of the lease, if shorter
Fixtures and fittings	5 years
Computers	3 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the income statement.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.7 Impairment of tangible and intangible assets

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, deposits with payment providers, other short-term liquid investments with original maturities 95 days or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Amounts deposited with banks and payment service providers that are held on behalf of customers, and which represent the amounts that those customers have deposited in order to transact on the group's betting exchange, are recognised as Cash and Cash Equivalents. The majority of the cash held on behalf of customers is deposited within a trust (the trustee is Smarkets (Clients) Limited) with the remainder deposited in segregated accounts.

1.10 Financial assets

Financial assets are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument. The Group recognises financial assets at either Amortised cost, Fair value through other comprehensive income ("FVOCI") and Fair value through profit and loss ("FVTPL"). The classification of financial assets is generally based on the business model on which a financial asset is managed and its contractual cash flow characteristics.

On initial recognition, a financial asset is classified as being measured at either Amortised cost, FVOCI – debt investment, FVOCI – equity investment or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

The parent company has made an irrevocable election to recognise changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to retained earnings when equity instrument is derecognised or its fair value substantially decreased. Dividends are recognised as finance income in profit or loss.

Impairment of financial assets

The Group recognises loss allowances for Expected Credit Losses ("ECLs") on financial assets at amortised cost.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. In the case of interest free financial assets, such as trade receivables, ECLs are not discounted. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances are measured on either of the following bases:

- 12-month ECLs - these are ECLs that result from possible default events within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs - these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances for trade receivables without a significant financing component and contract assets at an amount equal to lifetime ECLs. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, and considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and OCI.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

1.11 Financial liabilities

Financial liabilities at fair value through profit or loss
Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities
Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled, or they expire.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the amounts and it intends to either settle them on a net basis or to realise the asset and settle the liability simultaneously.

Ordinary share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of tax effects, are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 Income taxes.

1.12 Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.13 Derivative financial instruments

Derivatives are recognised at fair value. Gains or losses on re-measurement are recognised in profit or loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The Company incurs research and development expense for which it is entitled to UK Corporation Tax relief on eligible expenditure enhanced in accordance with the rules of the scheme. Historically, the Company has calculated the amounts reclaimable and booked the associated tax receivable at the time of submission. During the year ended 31 December 2020, this policy was amended so that the tax receivables arising are accrued in the year to which they relate. See note 12 for further details.

Current tax
Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Employee benefits

Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.16 Retirement benefits

Defined contribution pension plans
A defined contribution pension plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

1.17 Share-based payments

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

1.18 Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Group accounts for each lease component separately from the non-lease components. The Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

1.19 Foreign exchange

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement [except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income]. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the FCTR, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

1.20 Financing income and expense

Financing expense comprises interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.21 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation arising from a past event that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.22 Other operating income

Other operating income normally comprises predominantly inactive account fees. Inactive account fees are charged in arrears at a fixed amount each month following 12 months of account inactivity, in accordance with the terms and conditions of account usage.

2 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the Group's accounting policies, may require the Director to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions used are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the Director was required to estimate the amount of a potential tax liability, discussed in note 24, by consulting with legal advisors and making judgements based on that feedback. This estimate has been made based on the information available at the date of approving the financial statements, and the actual amount that may be settled in future could be materially more or less than this amount.

For the year ended 31 December 2023, the lease liabilities were measured using an incremental borrowing rate of 4.75%, which was estimated based on management's assessment of market borrowing rates for companies with similar credit risk profiles, adjusted for the lease term and economic environment.

Management has determined that platform development should be amortised over an estimated useful life of five years. This estimate is based on consultations with experienced professionals in the engineering team.

Additionally, for the year ended 31 December 2023, the Director was required to estimate the amount of Research and Development tax credit receivable for that year. This was achieved based on prior experience of such claims and the percentage that these claims formed of relevant payroll totals. Given the availability of the payroll information, and on preliminary discussions around the continuation of the platform development from the prior year, as well as new initiatives in the current year, the Director is able to estimate that the claim for the current year would likely be lower than the prior year as a result of the change in rates for R&D submissions implemented from 1 April 2023. On that basis, the amount recognised in the current year is lower than the amount recognised in the prior year, and the director is confident that that amount is recoverable in full.

3 Adoption of new and revised standards and changes in accounting policies

In the current year, the following UK-adopted IFRSs have been issued but have not been applied by the Group in these consolidated financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

4 Revenue

£21m
Revenue 2023

£18m
Revenue 2022

	2023 £000	2022 £000
Revenue analysed by class of business		
Commission earned from betting activity on sporting and other events	5,543	6,793
Net revenue from betting activity on sporting and other events	15,865	14,311
Customer bonuses granted	(411)	(3,021)
	20,997	18,083

5 Other operating income

	2023	2022
	£000	£000
Inactive account fees	231	123
Other	11	5
	242	128

6 Operating loss

	2023	2022
	£000	£000
Included in operating loss for the period are the following:		
Exchange losses	500	173
Depreciation of property, plant and equipment (note 14)	761	905
Amortisation of intangible fixed assets (note 13)	139	163
Impairment of intangible assets (note 13)		1,756
Share-based payments (note 26)	156	102

7 Auditor's remuneration

	2023	2022
	£000	£000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the Group and Company	110	121
Audit of the financial statements of the Company's subsidiaries	126	125
	236	246
For other services		
Tax services	20	22
Other services		26
Total non-audit fees	20	48

8 Employees

The average monthly number of persons (including the Director) employed by the Company during the year was:

2023

30
Business Operations

41
Software Engineers

20
Management and Administration

2022

65
Business Operations

56
Software Engineers

19
Management and Administration

91

Total number of employees in 2023

140

Total number of employees in 2022

Their aggregate remuneration comprised:

	2023 £000	2022 £000
Wages and salaries	7,565	10,231
Share based payments (note 27)	113	102
Social security costs	810	1,180
Pension costs	181	461
	8,669	11,974


ALL DAY
DINING
Breakfast, Lunch & Dinner
Coffee &

9 Director's remuneration

The compensation of Jason Trost, the Chief Executive Officer of the Company, was as follows:

	2023	2022
	£000	£000
Remuneration for qualifying services	186	171
Social security costs	18	13
Company pension contributions to defined contribution schemes	5	3
Medical insurance	1	
	210	187

The Company has a sole Director.

10 Financial income

	2023	2022
	£000	£000
Interest income from bank deposits	977	264

11 Financial expense

	2023	2022
	£000	£000
Interest on lease liabilities	65	116

12 Income tax

	2023	2022
	£000	£000
Current tax		
UK corporation tax on profits for the current period	(667)	(2,301)

The charge for the year can be reconciled to the (loss)/profit per the income statement as follows:

	2023	2022
	£000	£000
Profit/(loss) before taxation	1,999	(17,725)
Expected tax charge/(credit) based on a corporation tax rate of 23.52%	470	(3,368)
Effect of expenses not deductible in determining taxable profit	48	700
Unutilised tax losses carried forward	459	2,814
Change in unrecognised deferred tax assets	32	(1,135)
Adjustment in respect of prior years		749
Research and development tax credit	(800)	(2,284)
Effect of overseas tax rates	77	32
Foreign exchange differences	34	373
Adjustment related to IFRS16		46
Effect of Government Covid-19 schemes		9
Other	(987)	(237)
Taxation credit for the year	(667)	(2,301)

UK Corporation Tax was charged at 23.52% (25% effective from 1 April 2023, 19% prior).

Maltese income taxes are initially levied on Maltese tax resident companies at 35% of taxable income (2022 – 35%). The Group has formed an income tax grouping, encompassing all of the Maltese activities of the Group. As a result of this, as done previously, the reclaiming of tax credits on dividends paid within the grouping, no longer requires a separate process of reclaiming the six sevenths of the income taxes originally paid and tax liabilities are calculated and accounted for net of the reclaim amount.

Tax Receivable		
Research and development tax credits receivable	2,096	3,886

13 Property, plant and equipment

	Leasehold land and buildings £000	Leasehold improvements £000	Fixtures and fittings £000	Computers £000	Total £000
Cost					
At 1 January 2022	6,031	688	340	495	7,554
Additions	106		7	141	254
Disposals	(594)			(38)	(632)
Transfer to held for sale	(5)			(10)	(15)
Foreign currency adjustments	25		4	6	35
At 31 December 2022	5,563	688	351	594	7,196
Additions				9	9
Disposals	(1,137)	(21)		(95)	(1,253)
Foreign currency adjustments	5		(3)	7	9
At 31 December 2023	4,431	667	348	515	5,961
Accumulated depreciation and impairment					
At 1 January 2022	3,686	412	285	335	4,718
Charge for the year	733	68	23	81	905
Disposal	(406)			(8)	(414)
Foreign currency adjustments	22		3	4	29
At 31 December 2022	4,035	480	311	412	5,238
Charge for the year	593	67	17	84	761
Disposal	(842)	(21)		(72)	(935)
Foreign currency adjustments			(1)	(2)	(3)
At 31 December 2023	3,786	526	327	422	5,061
Carrying amount					
At 31 December 2023	645	141	21	93	900
At 31 December 2023	1,528	208	40	182	1,958
At 31 December 2023	2,345	276	55	160	2,836

All Leasehold land and buildings are a right-of-use assets.

15 Subsidiaries

The investments in subsidiaries by the Group, the financial statements of which have been included in these consolidated financial statements at 31 December 2023, are as follows:

Name of undertaking	Address	Principal activities	Class of shares held	% Held Direct
1. Hanson Applied Sciences Limited	Malta	Sports trading	Ordinary Shares	100.00
2. Smarkets Holdings (Malta) Limited	Malta	Holding company	Ordinary Shares	100.00
3. Smarkets (Clients) Limited	United Kingdom	Customer funds trust	Ordinary Shares	100.00
4. Smarkets Holdings (USA) Inc.	United States	Holding company	Ordinary Shares	100.00
5. Smarkets (Malta) Limited	Malta	Operate remote gaming license	Ordinary Shares	100.00
6. Smarkets Inc.	United States	Software development	Ordinary Stock	100.00
7. Smarkets USA Op Co	United States	Operate remote gaming license	Ordinary Stock	100.00
8. OddsIndex Holdings, LLC	United States	Holding company	Ordinary Stock	100.00
9. OddsIndex, LLC	United States	Marketing	Ordinary Stock	100.00
10. Hanson Applied Sciences II Limited	Malta	Sports trading	Ordinary Shares	100.00

Registered office addresses (all UK unless otherwise indicated):

1, 3	7th floor Commodity Quay, St. Katharine Docks, London, E1W 1AZ, United Kingdom
2, 5	Level 7, The Hedge, Triq Ir-Rampa ta', San Giljan, St Julians, STJ 1062, Malta
6	527 W. 7th St., Suite 601, Los Angeles, CA 90014, United States
4, 7, 8, 9	251 Little Falls Drive, Wilmington, Delaware, 19808, United States
10	Level G (Office 1/0909), Quantum House 75 Abate Rigord Street, Ta Xbiex, XBX 1120, Malta

The activities of Smarkets (Malta) Limited are operated under a B2C Type 3 remote gaming licence granted by the Malta Gaming Authority, as well as licences granted by the UK Gambling Commission, the Irish Office of the Revenue Commissioners, and the Swedish Spelinspektionen.

Both Smarkets Holdings (USA) Inc. and Smarkets USA OpCo were incorporated in Delaware on 3 September 2019. On 6 September 2019, Smarkets Limited transferred its holding of common stock of Smarkets Inc. to Smarkets Holdings (USA) Inc. None of the subsidiary companies incorporated in the United States required an audit for the years ended 31 December 2021 and 2020.

On 27 February 2023, a new company, Hanson Applied Sciences II Limited was incorporated in Malta and is fully owned by Smarkets Holding (Malta) Limited. On 1 March 2023, the ownership of Hanson Applied Sciences Limited was transferred to the newly incorporated entity, Hanson Applied Sciences II Limited.

On 27 March 2023, the Company registered a branch of Smarkets Limited in Malta.

16 Trade and other receivables

The compensation of Jason Trost, the Chief Executive Officer of the Company, was as follows:

	Current		Non-Current	
	2023	2023	2023	2023
	£000	£000	£000	£000
Trade receivables	3			
VAT recoverable	156	161		
Amounts owed by subsidiary undertakings	(1)			
Amounts owed by fellow group undertakings	1	1		
Other receivables	379	206	1,115	700
Prepayments	408	435		
	946	803	1,115	700

At 31 December 2023, there were no receivables that were past due nor considered to be impaired (2022 - £Nil).

The non-current asset represents a deposit that Smarkets holds with one of the payment providers as part of the contractual agreement.

17 Assets and liabilities classified as held for sale

	2023	2022
	£000	£000
		15

18 Other financial assets and liabilities

	2023	2021
	£000	£000
Current assets		
Fair value of open betting positions	34	151
Current liability		
Fair value of open betting positions	(107)	(57)
	(73)	94

Open betting asset and liability positions are derivative transactions which are valued at fair value in the balance sheet. These fair values are calculated based upon the latest open market prices on the relevant underlying sporting or other events available at the close of business at the valuation date. The profit for the year ended 31 December 2023 on other financial assets and liabilities was £94,000 (2022 – £41,000).

19 Cash and cash equivalents

	2023	2022
	£000	£000
Cash at bank and with payment providers	30,085	36,606

20 Trade and other payables

	2023	2022
	£000	£000
Customer account liabilities	44,457	57,103
Trade payables	415	1,236
Accruals	1,063	946
Social security and other taxation	60	104
Other payables	(23,061)	(27,278)
Provision - see note 24	12,800	12,800
	35,734	44,911

21 Lease liabilities

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2023	2022
	£000	£000
Current assets	479	957
Non-current liabilities	445	885
	924	1,842

	2023	2022
	£000	£000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	152	116

The borrowing rate implicit in the leases is 4.75%.

22 Other leasing information

Lease movements during the Financial Year

	2022
	£000
Opening balance	(1,842)
Interest charged	(65)
Payments	980
Credit notes	(54)
Disposals	56
Exchange Differences	1
Closing balance	(924)

Set out below are the future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:

	2021	2022
	£000	£000
Within one year	(652)	(915)
Between two and five years	(457)	(990)
	(1,905)	(1,905)

On 4 September 2015, the Company entered into a 10-year lease, with a tenant exercisable break clause after 7 years, for the 7th floor of Commodity Quay, St. Katharine Docks, London, E1W 1AZ. The lease commenced on 25 September 2015 with an annual rental of £570,000, but with the first nine months being rent free.

On 13 January 2017, the Company entered into a 5-year lease, terminatable by the tenant with 6 months' notice, for part of the 1st floor of Commodity Quay, St. Katharine Docks, London, E1W 1AZ. The lease commenced on 2 February 2017 with an annual rental of £282,948, which is subject to annual review. The lease was terminated on 12 August 2019 and replaced with a new 5-year lease commencing on the same date, with an unchanged annual rental of £282,948. On 16 October 2023, the Company surrendered the lease.2021 with an annual rental of €35,000 increasing by 3% on an annual basis.

On 01 October 2021, Hanson Applied Science Limited entered into a 3-year and 8-month lease with a tenant exercisable break clause after 1 years, for office space on Level 1, The Hedge, Triq Ir-Rampa ta', San Giljan, St Julians, STJ 1062, Malta. The lease commenced on 1 February 2022 with an annual rental of EUR30,682. The borrowing rate implicit in the lease is 4.75%. On 18 November 2022, Hanson Applied Sciences Limited served notice on Level 1, The Hedge, Triq Ir-Rampa ta', San Giljan, St Julians, STJ 1062, Malta and vacated on 1 May 2023.

The lease liabilities are denominated in Euro and Euro interest rates have not varied sufficiently in the period from lease inception to 31 December 2022 for the fair value of the lease contracts to diverge materially from carrying value.

Information relating to lease liabilities is included in note 21.

23 Deferred taxation

Deferred tax assets and liabilities were attributable to the following:

	2023	2022
	£000	£000
Tax effected temporary timing differences		
Property, plant and equipment	(49)	(78)
Short term temporary differences	49	78
Net deferred tax		
Movement recognised in income		
Property, plant and equipment	28	(6)
Short term temporary differences	16	(10)
Tax value of loss carry-forwards utilised	(44)	16

Unused tax losses in the Group for which no deferred tax asset was recognised amounted to £32,143,453 (2022 - £33,883,730).

24 Regulatory and other matters

Possible tax matter arising from prior years

Due to the Company's operations in one jurisdiction from 2012 to 2017, a potential tax liability was identified. The Company provided all relevant information to the tax authority and recorded a provision of £12.8m (€14.4m) during the year ending 31 December 2021. In July 2024, the Company received an assessment from the tax authority, with a request for settlement of a tax liability of €14.4m.

The Company strongly disputes the basis of this assessment, and in line with the legal and tax advice received, is confident that there are grounds to successfully appeal. The Company, however, decided to make a payment of £3m (€3.5m) in August 2024. The remaining provision of £9.5m (€10.9m) will be retained whilst the appeal is ongoing. Full disclosure of this uncertain tax position is not provided as it is deemed to prejudice the Company's position during this appeal.

25 Retirement benefit schemes

Defined contribution schemes

	2023	2022
	£000	£000
Charge to profit or loss in respect of defined contribution schemes	328	461

From 1 April 2016, the Company has operated a defined contribution pension plan for the benefit of qualifying UK based employees. During the year ending 31 December 2023, the Company matched employees' contribution up to 6%.

Also on 01 November 2021, the Group introduced a defined contribution pension plan for qualifying Maltese and US based employees.

The assets of the scheme are held separately from those of the Group in an independently administered fund.

26 Share-based payments

The Company operated an employee share-based incentive scheme granting options to eligible employees of the Group during the year ended 31 December 2023.

The options grant the holder the right to acquire Ordinary shares in the Company and vest over a four-year period commencing from the employee's employment start date. The first 25% of the number of options granted vest after 1 year of service, and the remainder vest in equal monthly tranches over the following three years of service. Additionally, the Company issued bonus options to employees, which vest over a two-year period with 50% vesting after one year. If the employee leaves the employment of the Company during this period, then all unvested options are forfeited.

Options granted in the year ended 31 December 2023 had an exercise price of £1.75. Options granted in the year ended 2022 had an exercise price of £5.59.

During the year ended 31 December 2023 holders exercised 6,510 options resulting in a payment of £706 to receive 6,510 Ordinary shares. In 2022 holders exercised 27,125 options resulting in a payment of £3,095 to receive 27,125 Ordinary shares.

The options issued under this scheme to UK resident employees have been issued under the Enterprise Management Initiative ('EMI') arrangements as the Company has met and continues to meet the qualifying criteria. These EMI arrangements provide tax advantages to the option holders.

	Number of share options	
	2022	**2021**
Outstanding at 1 January	2,523,336	827,250
Granted in the period	459,000	1,997,352
Exercised in the period	(6,510)	(27,125)
Expired in the period	(713,174)	(274,141)
Outstanding at 31 December 2022	2,262,652	2,523,336
Exercisable at 31 December 2022	659,282	606,876

The options outstanding at 31 December 2023 had an exercise price ranging from £0.10 to £5.59, and a remaining weighted average contractual life of 8.8 years.

During 2023, options were granted on 30 March 2023 and 27 November 2023, with a weighted average fair value of options grants on the measurement date of £1.75. During 2022 options were granted on with a weighted average fair value on the date of measurement between £4.00 and £5.59. Fair value was measured using the Black-Scholes model.

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) as determined using a Black-Scholes model. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the relevant vesting period based upon provision of service by the employees and an estimate of the number of share options that will eventually vest.

	2023	2022
Weighted average share price	£1.75	£5.59
Weighted average exercise price	£1.75	£4.00 - £5.59
Expected volatility	14.4% - 14.9%	12.79% - 15.31%
Expected option life	4.0 years	5.0 years
Weighted average contractual life of outstanding share options	8.8 years	4.2 years
Risk free rate		
Expected dividend yield	0.00%	0.00%

Volatility for the options issued in 31 December 2023 was determined by reference to movements in the share prices of the FTSE 350 index for the previous 12 months adjusted for the increased risk of a private company.

The total expense recognised for the year and the total liabilities recognised at the end of the year arising from share-based payments was £156,000 for the year ended 31 December 2023 (2022 - £102,000).

The Director did not exercise any share options for the years ended 31 December 2023 and 2022.

Subsequent to the period covered by these financial statements, on 23 January 2024, the Company issued 1,733,610 replacement share options to employees at an exercise price of £1.75. These options were granted to employees who agreed to surrender their previously issued options which had an exercise price of £5.59 and were subject to the same terms.

27 Share premium account

	2023	2022
At the beginning of the year	27,816	27,813
Issue of new shares	1	3
At the end of the year	27,816	27,813

28 Share capital

	2023	2022	2023	2022
Ordinary share capital ***Issued and fully paid***	**Number**	**Number**	**£000**	**£000**
Ordinary shares of 0.5p each	17,359,259	17,352,749	9	8
Deferred shares of 0.5p each				1
	17,359,259	17,352,749	9	9

	2023	2022	2023	2022
Preference share capital ***Issued and fully paid***	**Number**	**Number**	**£000**	**£000**
Series A of 0.5p each	751,468	751,468	4	4
Series B of 0.5p each	428,893	428,893	2	2
	1,180,361	1,180,361	6	6
Preference shares classified as equity			6	6
Total equity share capital			15	15

On 23 February 2021, the Company carried out a share split to subdivide the Ordinary and Preference shares of £0.005 each into 10 shares of £0.0005 each, such shares having the same rights and being subject to the same restrictions. On the same day, the deferred shares of the Company were cancelled. The effects of this are shown as follows:

	Number	Number	Number	Number
	Ordinary shares	**Deferred shar...**	**Series A shar...**	**Series B shar...**
At 1 January 2023	17,352,749		7,514,680	4,288,930
Issue of fully paid shares	6,510			
At 31 December 2023	17,352,749		7,514,680	4,288,930

During the year ended 31 December 2023, 6,510 ordinary shares were issued as a result of the exercise of share options. In 2022 the Company issued 27,125 shares.

On 31 January 2022, the Company agreed to buy back 143,956 Ordinary Shares of the Company at a price of £5.04 per share from the Director for a total consideration of £725,000. The shares acquired were cancelled by the Company.

Classes of share

The Ordinary Shares, the Series A Preference Shares, and the Series B Preference Shares each constitute a separate class of shareholders of Ordinary Shares in the Company and, except as set out below, rank pari passu in all respects. All such shares confer equal rights to dividend payments and equal rights to vote at meetings of the Company on a show of hands, each holder of such shares having one vote. On a poll, each holder shall have one vote for each such share held.

The Deferred Shares confer no rights to vote or any right to receive dividends.

The Series A Preference Shares and Series B Preference Shares are automatically converted into Ordinary Shares immediately upon the occurrence of a qualifying IPO otherwise they may be converted at the option of the holder at the issue price of the shares held. They are not redeemable for cash.

In the event of liquidation, dissolution or winding up of the Company, the deferred shareholders will receive £1 for the entire issue and the remaining proceeds shall be distributed among the holders of the Ordinary, Series A Preference Shares, and Series B Preference Shares pro rata to the number of shares held plus any arrears of dividend, provided that the amount of the distribution per share exceeds £15.54. Below this threshold amount, holders of the Series A Preference shares will receive an amount of up to £0.3108 per share, the holders of the Series B Preference shares will receive an amount of up to £5.59 per share, and then the deferred shareholders will receive £1 for the entire issue. Any remaining proceeds, if any, will then be distributed among the holders of the Ordinary Series A Preference Shares, and Series B Preference Shares pro rata to the number of shares held plus any arrears of dividend.

Dividends

No dividends were paid during the year or the preceding year. No dividends have been proposed by the Director.

29 Financial Instruments

Fair values of financial instruments

Financial assets and liabilities of the Group comprise trade and other receivables, cash and cash equivalents and other betting related financial assets and liabilities including open betting transactions, assets held on trust for customers and amounts owing to customers.

The fair values of all financial assets and financial liabilities together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount	Fair Value	Carrying amount	Fair Value
	2023	2023	2022	2022
	£000	£000	£000	£000
Trade and other receivables (note 16)	946	946	911	803
Cash and cash equivalents (note 19)	30,085	30,085	36,606	36,606
Other financial assets (note 18)	34	34	151	151
Total Financial assets	31,065	31,065	37,668	37,560
Trade and other payables (note 20)	(35,734)	(35,734)	(28,736)	(28,736)
Other financial liabilities (note 18)	(107)	(107)	(57)	(57)
Non-current liabilities (note 21)	(445)	(412)	(885)	(803)
Total Financial liabilities	(36,286)	(36,253)	(29,678)	(29,596)
Net Financial assets	5,221	5,188	7,990	7,964

The carrying value of open betting transactions equates to fair value as such transactions are accounted for as derivatives. Non-current liabilities comprise lease liabilities (note 21) for which fair value has been calculated using a discounted cashflow model. For all other financial assets and liabilities, carrying value approximates to fair value because of their short-term nature.

Open betting asset and liability transactions are derivative positions which are valued at fair value in the balance sheet. These fair values are calculated based upon the latest open market prices on the relevant underlying sporting or other events available at the close of business at the valuation date. As such, the valuation method used falls into Level 2 of the standard financial instruments fair value hierarchy, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The financial instrument credit risk of the Group arises principally from the Group's receivables from other betting businesses. Customers of the Group are required to deposit monies with the Group sufficient to cover any exposure arising from betting transactions that they then proceed to undertake and, as such, no credit risk arises from such activities.

The exposure to credit risk of other betting businesses comprises deposits made with such businesses so that the Group can undertake betting transactions. These funds, classified as other debtors, may be withdrawn at will to the extent that the amount exceeds the exposure created by open betting transactions entered into with the particular counterparty. As most betting activity occurs on the day of the event to which the transaction relates, the amount of outstanding transactions at the end of any trading day tends to be small.

The credit risk arising from deposits with other betting businesses is best represented by their balance sheet carrying value which at 31 December 2023 amounted to £234,000 (2022 - £106,000).

No impairment losses have been recognised against such assets.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, to the extent practicable, that there will always be sufficient liquid resources to meet any liabilities or other contractual obligations as they fall due.

The betting transactions of the Group are to a very large extent of a short-term nature, much of it occurring on the day of the sporting or other event to which the transactions relate. As such, the Group is well able to monitor its potential liquidity risks and take action accordingly if those risks become exacerbated by stressed conditions.

Further, as customers of the Group are required to deposit monies with the Group sufficient to cover any exposure arising from betting transactions that they then proceed to undertake, and these customer assets are held in segregated cash accounts, the risk of failing to meet the obligations arising on the customer transactions is minimised.

With the exception of long-term finance lease liabilities (note 21), the Group has no outstanding borrowings, nor financial liabilities for which the contractual maturity extends beyond one year.

Market Risk

Market risk is the risk that changes in market prices, such as betting prices, foreign exchange rates, and interest rates, will affect the Group's income or the value of its holdings of financial instruments.

Betting position risk

The Group monitors its price risks to open events on an ongoing basis.

Open betting positions on individual events tend to remain limited until the day of the sporting or other event concerned but can then expand rapidly, in the immediate period before the event takes place. When positions arise that exceed the risk appetite of the Risk Manager, hedging transactions are undertaken with other betting businesses to mitigate the exposure.

Management of the Group actively discusses the extent of risk to be taken and also monitors the performance of the risk taking and hedging activities on a daily basis.

Interest rate risk

Subsequent to the period covered by these financial statements, central banks across the world began to raise interest rates to address inflation. The Group has no borrowings nor other financial instruments linked to interest rates and, as such, is only affected to a limited extent by these rises through interest earned on customer deposits invested with financial institutions. The effect of this is slightly positive to profit and loss. Similarly, the effect of interest rate benchmark reforms is of only marginal impact to the Group.

Foreign currency risk

The Group is exposed to foreign currency risk primarily from:

- Commissions earned from betting transaction activity where the customer has a settlement currency other than GBP.
- Expenses incurred in operations in jurisdictions in which the local currency is not GBP. In particular, the Group incurs expenses in EUR in connection with the operation of the betting exchange in Malta.

Assets deposited by customers are retained in the currencies in which they were deposited so mitigating the outstanding liabilities to the customers. All betting risk is monitored, and settlements are calculated, in GBP.

At 31 December 2023, the Group's exposure to foreign currency risk was as follows. This is based on the carrying amount for monetary financial instruments.

31 December 2023	GBP	EUR	USD	Other	Total
	£000	£000	£000	£000	£000
Other financial assets	34				34
Trade and other receivables	872	70	4		946
Cash and cash equivalents	27,523	1,023	1,161	377	30,084
Non-current liabilities	(427)	(18)			(445)
Other financial liabilities	(107)				(107)
Trade and other payables	(25,153)	(1,487)	(1,498)	(261)	(28,399)
	2,742	(412)	(333)	116	2,113

31 December 2022	GBP	EUR	USD	Other	Total
	£000	£000	£000	£000	£000
Other financial assets	150				150
Trade and other receivables	806		34	71	911
Cash and cash equivalents	34,188	1,268	639	511	36,606
Non-current liabilities	(838)	(47)			(885)
Other financial liabilities	(57)				(57)
Trade and other payables	(24,847)	(1,971)	(1,599)	(319)	(28,736)
	9,402	(750)	(926)	263	7,989

A 10% weakening of GBP against all other currencies at 31 December 2023 would have decreased equity and profit and loss by £82,000 (2022 – decrease of £157,000). This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date and assumes that all other variables and other exchange rates remain constant.

A 10% strengthening of GBP against all other currencies at 31 December 2023 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Capital management

The capital structure of the Group consists of the equity attributable to equity holders of the Company comprising Capital and Reserves and Retained Earnings. The Group finances its operations through generation of retained earnings and management of the cash and cash equivalent balances and has sufficient capital to meet its regulatory and operational needs.

The Director has prepared forecasts of future profitability, cash flow and capital adequacy of the Group for the period up to 31 December 2025 incorporating the modelling of scenarios including consideration of the potential impact of any further restrictions on sporting activities as well as the increased expenditure in the US, heightened expectations of inflation and other factors. None of the scenarios modelled resulted in any expectation that management would need to take extreme mitigating action, such as significant staff reductions to keep the business operating.

As a result, the Director has no expectation that under any reasonable scenario, that the financing of the Company and of the Group would be insufficient to fully finance its operations with adequate contingency available for unexpected events for the foreseeable future.

Dividends

Management do not propose any dividends or other distributions for the year ended 31 December 2023 (2022 - £Nil).

30 Events after the reporting date

Other than the matters discussed in note 24 with regards to the payment made in relation to the tax liability, no other matters arose in the period from the balance sheet up to the date of approval of these financial statements that require further disclosure.

31 Related parties

At 31 December 2023 the Director of the Company and his immediate relatives controlled 24.0 per cent of the voting shares of the Company (2022 – 24.0 per cent).

32 Ultimate parent company

The Company is the ultimate parent company of the Group. There is no one ultimate controlling party.

Company statement of changes in equity

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2022		15	27,813	3	10,070	37,901
Year ended 31 December 2022:						
Loss and total comprehensive income for the year					(34,206)	(34,206)
Issue of share capital	44		3			3
Buy back of shares					(735)	(735)
Share based payments					102	102
Balance at 31 December 2022		15	27,813	3	(24,769)	3,065
Year ended 31 December 2023:						
Profit and total comprehensive income for the year					170	170
Issue of share capital	44		1			1
Share based payment transactions					152	152
Balance at 31 December 2023		15	27,817	3	(24,447)	3,388

The notes on pages 55 - 66 form an integral part of these financial statements.

Notes to the group financial statements

33 Accounting policies

Company information

The following accounting policies below have, unless otherwise stated, been applied consistently in dealing with items which are considered material in relation to the financial statements.

33.1 Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted IFRSs, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements have been prepared on a going concern basis. For full details of the going concern assessment performed by the Director please see note 1.3 to the Consolidated Financial Statements.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The Company's profit for the financial year was £170,000 (2022 – loss of £34,206,000).

The financial statements are prepared in Pound Sterling, which is the functional currency of the company.

The company applies accounting policies consistent with those applied by the group. To the extent that an accounting policy is relevant to both group and parent company financial statements, please refer to the group financial statements for disclosure of the relevant accounting policy.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related disclosures
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- Disclosures of key personnel compensations
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The preparation of financial statements in conformity with FRS101 requires management to exercise its judgement in the process of applying the Company's accounting policies. However, the Director have not had to make any judgements resulting in a material financial impact on the financial statements as a result of the application of these accounting policies.

The financial statements have been prepared prepared under the historical cost convention. The principal accounting policies adopted are set out below.

33.2 Going concern

The financial statements have been prepared on a going concern basis. For full details of the going concern assessment performed by the Director please see note 1.3 to the Consolidated Financial Statements.

33.3 Foreign Currency

Transactions in foreign currencies are translated to the Company's functional currency of United Kingdom Pounds Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

35.4 Intangible fixed assets and amortisation

Externally acquired intangible assets

All intangible assets acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible assets.

The estimated useful lives are as follows:

Access intangibles	Contractual period of the market access rights granted
Other intangibles	3 years

Amortisation methods, useful lives and residual values are reviewed at each balance sheet date.

Internally generated intangible assets (development costs)

Platform development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale;
- The intention to complete the software and use or sell it;
- The ability to use the software or sell it;
- The software will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software; and
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is provided on intangible assets to write-off the cost, less any estimated residual value, over their expected useful economic life, using the straight-line method. Amortisation is included within administrative expenses.

Intangible assets are amortised over the following useful economic lives:

Smarkets Platform	5 years

33.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets are recognised and measured a described in note 34.7.

33 Accounting policies

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Leasehold property	Life of the lease
Leasehold improvement	10 years or the remaining life of the lease, if shorter
Computer equipment	3 years
Fixtures and fittings, including	5 years
office equipment	

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

33.6 Investments in subsidiaries

Investments in subsidiaries are recognised at cost less any provision for impairment.

33.7 Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Group accounts for each lease component separately from the non-lease components. The Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

33.8 Employee benefits

Defined contribution pension plans

A defined contribution pension plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

33.9 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

33.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

33.11 Revenue

The Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.The Company has applied the five-step model set out in IFRS 15, Revenue from Contracts with Customers in order to determine the revenues to be recognised, the five steps being: Identify the contract, Identify the performance obligations in the contract, Determine the transaction price, Allocate the transaction price to the performance obligations in the contract, and Recognise the revenue when the entity satisfies the performance obligation.The Company enters into two forms of contract with other Group companies, as follows:• To grant intellectual property rights to exclusive use of software owned and developed by the Company. The contract transaction price is based on a percentage of revenues generated by the counterparty on a monthly basis, the percentage having been determined by comparison with available market information.• To commit to provide specified management services, including software development and support services. The contract sets out the specific service obligations as well as the transaction price which is determined and charged on a monthly basis.For both types of contract, the whole transaction price is recognised as revenue by the Company at the end of each month, at which point the Company has fulfilled its performance obligation to provide either exclusive use of the software or the specified services for that period.

33.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.The Company incurs research and development expense for which it is entitled to UK Corporation Tax relief on eligible expenditure enhanced in accordance with the rules of the scheme. Historically, the Company has calculated the amounts reclaimable and booked the associated tax receivable at the time of submission. During the year ended 31 December 2020, this policy was amended so that the tax receivables arising are accrued in the year to which they relate.When losses made by Group companies are surrendered to other Group companies by way of Group Relief, payment is made by the receiving company for the tax effect of those losses. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

34 Critical accounting estimates and judgements

The preparation of financial statements in accordance with the Group's accounting policies, may require the Director to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions used are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the Director was required to estimate the amount of a potential tax liability, discussed in note 24, by consulting with legal advisors and making judgements based on that feedback. This estimate has been made based on the information available at the date of approving the financial statements, and the actual amount that may be settled in future could be materially more or less than this amount.

For the year ended 31 December 2023, the lease liabilities were measured using an incremental borrowing rate of 4.75%, which was estimated based on management's assessment of market borrowing rates for companies with similar credit risk profiles, adjusted for the lease term and economic environment.

Management has determined that platform development should be amortised over an estimated useful life of five years. This estimate is based on consultations with experienced professionals in the engineering team.

Additionally, for the year ended 31 December 2023, the Director was required to estimate the amount of Research and Development tax credit receivable for that year. This was achieved based on prior experience of such claims and the percentage that these claims formed of relevant payroll totals. Given the availability of the payroll information, and on preliminary discussions around the continuation of the platform development from the prior year, as well as new initiatives in the current year, the Director is able to estimate that the claim for the current year would likely be lower than the prior year as a result of the change in rates for R&D submissions implemented from 1 April 2023. On that basis, the amount recognised in the current year is lower than the amount recognised in the prior year, and the director is confident that that amount is recoverable in full.

35 Adoption of new and revised standards and accounting policies

In the current year, the following UK-adopted IFRSs have been issued but have not been applied by the Group in these consolidated financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective 1 January 2024).
- IFRS 17 Insurance Contracts (effective date 1 January 2023).
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 1 January 2023).

36 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2023 Number £000	2022 Number £000
Software Engineers	40	56
Business Operations	23	43
Management and Administration	28	17
Total	91	116

Their aggregate remuneration comprised:

	2023 Number £000	2022 Number £000
Wages and salaries	6,081	8,802
Social security costs	725	1,079
Pension costs	286	420
	7,092	10,301

37 Intangible assets

	Patents & licences	Platform Development	Total
	£000	£000	£000
Cost			
At 1 January 2022	41		41
At 31 December 2022	41		41
Additions - purchased		2,168	2,168
At 31 December 2023	41	2,168	2,168
Amortisation and impairment			
At 1 January 2022	35	.	35
Charge for the year	1		2
At 31 December 2022	36		36
Charge for the year	1	138	139
At 31 December 2023	37	138	175
Carrying amount			
At 31 December 2023	4	2,030	2,034
At 31 December 2022	5		5
At 31 December 2021	5		5

38 Property, plant and equipment

	Leasehold land and buildings	Leasehold improvements	Fixtures and fittings	Computers	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2022	5,077	667	263	434	6,441
Additions			7	109	116
Disposals				(38)	(38)
At 31 December 2022	5,077	667	270	505	6,519
Disposals	(885)			(81)	(966)
At 31 December 2023	4,192	667	270	424	5,553
Accumulated depreciation and impairment					
At 1 January 2022	3,033	392	229	289	3,943
Charge for the year	596	67	14	64	741
Disposals				(8)	(8)
At 31 December 2022	3,629	459	243	345	4,676
Charge for the year	552	66	12	69	699
Disposals	(590)			(68)	(658)
At 31 December 2023	3,591	525	255	346	4,717
Carrying amount					
At 31 December 2023	601	142	15	78	836
At 31 December 2022	1,448	208	27	160	1,843
At 31 December 2021	2,044	276	34	145	2,499

39 Investments

	Current		Non-current	
	2023	2022	2023	2022
	£000	£000	£000	£000
Investments in subsidiaries			56	99

Fair value of financial assets carried at amortised cost

In 2023, Smarkets Limited assigned its intercompany receivables from its US subsidiaries to Smarkets Holdings (USA) Inc.. These debts were contributed to Smarkets Holdings (USA) Inc. as additional paid in capital, totalling £14m.

In line with its full provision against the intercompany receivables from its US subsidiaries in the prior year, Management made a provision in full against its investment in Smarkets Holdings (USA) Inc.

The director considers that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

Investment in subsidiary undertakings

Details of the Company's principal operating subsidiaries are included in note 15.

40 Trade and other receivables

	2023	2022
	£000	£000
Income and other taxes recoverable	156	161
Amounts owed by subsidiary undertakings	3,280	
Prepayments	199	287
	3,635	448

In reviewing the carrying amounts of debtors due within 1 year and due after more than 1 year, management decided to book a full provision against the intercompany receivable balances associated with the subsidiary Smarkets (Malta) Limited totalling £30.8M (2022 - £24.6M).

41 Lease liabilities

	2023	2022
	£000	£000
Maturity analysis		
Within one year	393	854
In two to five years	427	838
Total undiscounted liabilities	820	1,692

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date.

On 4 September 2015, the Company entered into a 10-year lease, with a tenant exercisable break clause after 7 years, for the 7th floor of Commodity Quay, St. Katharine Docks, London, E1W 1AZ. The lease commenced on 25 September 2015 with an annual rental of £570,000, but with the first nine months being rent free.

On 13 January 2017, the Company entered into a 5-year lease, terminatable by the tenant with 6 months' notice, for part of the 1st floor of Commodity Quay, St. Katharine Docks, London, E1W 1AZ. The lease commenced on 2 February 2017 with an annual rental of £282,948, which is subject to annual review. The lease was terminated on 12 August 2019 and replaced with a new 5-year lease commencing on the same date, with an unchanged annual rental of £282,948. On 16 October 2023, the Company surrendered the lease.

The borrowing rate implicit in the leases is 4.75%. The fair value of the company's lease obligations is approximately equal to their carrying amount.

The fair value of the company's lease obligations is approximately equal to their carrying amount.

42 Trade and other payables

	2023	2022
	£000	£000
Trade payables	253	777
Amounts owed to subsidiary undertakings	4,527	1,724
Accruals	583	293
Social security and other taxation	41	65
Other payables	93	1,114
	5,497	3,973

43 Deferred taxation

Deferred tax assets and liabilities were attributable to the following:

	2023	2022
	£000	£000
Tax effected temporary timing differences		
Property, plant and equipment	49	78
Short term temporary differences	(49)	(78)
Tax value of loss carry-forwards		
Net deferred tax		
Movement recognised in income		
Property, plant and equipment	(28)	6
Short term temporary differences	(16)	10
Tax value of loss carry-forwards utilised	44	(16)

Unused tax losses in the Group for which no deferred tax assets was recognised amounted to £32,143,453 (2022 - £33,883,730).

44 Share capital

Refer to note 28 of the group financial statements.

45 Subsequent events

Other than the matters discussed in note 24 with regards to the payment made in relation to the tax liability, no other matters arose in the period from the balance sheet up to the date of approval of these financial statements that require further disclosure.

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