

Company Registration No. 09347088 (England and Wales)

iSmash UK Trading Limited

**Annual report and
group financial statements
for the year ended 31 December 2022**

iSmash UK Trading Limited

Company information

Directors	Julian Shovlin Richard Walker Fiona Hornsby Timothy McGuire Mario Mele James Senko	(Appointed 26 May 2022) (Appointed 28 October 2022)
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Company number	09347088
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Registered office	Greenhill House 90-93 Cowcross Street London EC1M 6BF
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Independent auditor	Saffery LLP 71 Queen Victoria Street London United Kingdom EC4V 4BE
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iSmash UK Trading Limited

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iSmash UK Trading Limited

Strategic report

For the year ended 31 December 2022

The directors present the strategic report for the year ended 31 December 2022.

Review of the business

The business has continued to report improved trading recovery following the end of the UK government mandated restrictions in 2021 relating to the coronavirus pandemic, with revenue up 32% in 2022.

Despite the upwards trajectory in trading performance, the business made an operating loss of £5,823k during the year versus £2,617k in 2021, reflecting the significant reduction in Government Support available during 2022. The loss of the Coronavirus Job Retention Scheme, Rates Relief and Council grants for smaller rateable properties all had a material impact.

iSmash opened two new service centres in 2022 and continues to operate in 38 locations across 15 major cities, with accessibility to 60% of the UK population.

In August 2022 iSmash strengthened its OEM relationships further by achieving Samsung accreditation, which includes a supply relationship and customer referrals direct from the website and contact centre. Furthermore, the business launched a mobile phone refurbished category that complements its brand and customer offering.

To continue the growth strategy the business instigated a further capital raise in late 2022, whereby convertible loan notes were issued to current shareholder base.

Principal Risks and Uncertainties

The business reviews its risks regularly and considers its principal risks to be the wider macro economy, changes in consumer behaviour following the coronavirus pandemic and in particular the increased pressure on household expenditure due to inflation and interest rates.

The macro-economic factors and the current cost of living crisis will continue to play a significant role for the foreseeable future. The business continues to be able to adapt to changes in consumer behaviour and is well placed to diversifying its proposition and continuing to offer affordable alternatives, e.g. repair, refurbished devices.

Key performance indicators

The KPIs that the business prioritises are revenue, gross profit and repair numbers. These are monitored daily.

Trading performance and repair numbers continued to grow, delivering a £3,409k uplift in revenue year-on-year, whilst Gross Profit also reported an increase, ending 2022 at £7,098k.

Outlook

iSmash remains the market leader in the UK for phone repairs within Retail, and at the time of writing this report in December 2023, the business has continued to see growth in its trading performance, reporting a 17% growth in gross profit versus 2022.

Going forward the business will continue to diversify its revenue mix through growth in Samsung and Google repairs, and relationships with insurance administrators, whilst taking advantage of growing markets, such as refurbished devices with the support of its shareholder base.

Whilst the business remains positive for the future it expects the macro-economic climate to remain challenging with increased pressure on household expenditure to continue. To better align with a diversifying revenue stream and mitigate ongoing challenges, iSmash has made material reductions to its central operating cost base.

iSmash UK Trading Limited

Strategic report (continued)

For the year ended 31 December 2022

On behalf of the board

Richard Walker

Director

29 December 2023

iSmash UK Trading Limited

Directors' report

For the year ended 31 December 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company and group continued to be that of repair of communication equipment.

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Julian Shovlin	
Dermot O'rourke	(Resigned 28 October 2022)
Richard Walker	
Fiona Hornsby	
Elizabeth Wynn	(Resigned 31 August 2023)
Timothy McGuire	
Mario Mele	(Appointed 26 May 2022)
Jonathan Wolkin	(Resigned 8 May 2022)
James Senko	(Appointed 28 October 2022)

Financial instruments

Liquidity risk

The Group manages its cash flows in order to maximise interest income and minimise interest expense, whilst ensuring the Group has enough liquid resources to meet the operating needs of the business.

Interest rate risk

Whilst the Group does not have any debt apart from leased in the normal course of business, the Group will manage its cash and borrowings in the most effective way possible to minimise any actual or potential interest rate cost.

Credit risk

The Group has at present substantial cash surpluses, the use of which must be cleared by the Board but are held wholly and exclusively for the benefit of the Group's operating companies.

Price risk

This is continually evaluated by the Board and management of the Group's companies.

Research and development

The business submitted and successfully claimed enhanced tax relief for Research and Development carried out for the period of 1 January 2019 to 31 December 2019 under the SME R&D relief scheme. The value of the qualifying expenditure totalled £349k, and the business received a tax credit in September 2022 for £117k.

Future developments

The business expects to continue its growth plans and expects to open further stores during the 2021 and 2022 calendar year.

Directors' report (continued)
For the year ended 31 December 2022

Auditor

In accordance with the company's articles, a resolution proposing that Saffery LLP be reappointed as auditor of the group will be put at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the ;
- prepare the on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

Matters covered in the Strategic report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risk management.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

Going concern

The trajectory of the business remains positive, with 2023 reporting a 17% uplift in gross profit performance year-on-year, and more recently iSmash has undertaken a rationalisation of the support office cost base to better align with its key strategic initiatives and deliver future savings, both of which will aid the business going forward. However, despite the continued optimism the business will still be loss making in 2023, and will require additional funding within the next 12 months to allow iSmash to meet its ongoing obligations.

Whilst the business is actively exploring several solutions that provide the best fit for the business to achieve its strategic initiatives, the board of directors have received confirmation from the shareholders of the parent company of their continual support and that resources will be available to continue operations. For this reason, the business will continue to adopt the going concern basis in preparing the annual report and accounts.

iSmash UK Trading Limited

Directors' report (continued)
For the year ended 31 December 2022

On behalf of the board

Richard Walker
Director

29 December 2023

iSmash UK Trading Limited

Independent auditor's report

To the members of iSmash UK Trading Limited

Opinion

We have audited the financial statements of iSmash UK Trading Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the group income statement, the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty in relation to going concern

We draw attention to Note 1.3 which records the directors assessment of going concern and the financial statements, which indicate that the group made a net loss of £5,764,709 during the year ended 31 December 2022 and, as of that date, the group's current liabilities exceeded its total assets by £19,293,867. The group relies on the continued financial support of the shareholders of the parent company to remain a going concern.

These conditions, along with matters as set forth in Note 1.3 indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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.

Independent auditor's report (continued)
To the members of iSmash UK Trading Limited

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are 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 directors 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 directors are responsible for assessing 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 directors either intend to liquidate 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.

iSmash UK Trading Limited

Independent auditor's report (continued)

To the members of iSmash UK Trading Limited

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent company by discussions with directors and by updating our understanding of the sector in which the group and parent company operates.

Laws and regulations of direct significance in the context of the group and parent company include The Companies Act 2006 and UK Tax legislation.

Audit response to risks identified

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of group and parent company financial statement disclosures. We reviewed the parent company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

As group auditors, our assessment of matters relating to non-compliance with laws or regulations and fraud differed at group and component level according to their particular circumstances. Our communications included a request to identify instances of non-compliance with laws and regulations and fraud that could give rise to a material misstatement of the group financial statements in addition to our risk assessment.

There are inherent limitations in the audit procedures described above 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 would become aware of it. Also, 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 or intentional misrepresentations, or through collusion.

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.

iSmash UK Trading Limited

Independent auditor's report (continued)

To the members of iSmash UK Trading Limited

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 parent company's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Lucy Brennan (Senior Statutory Auditor)

For and on behalf of Saffery LLP

31 December 2023

Chartered Accountants

Statutory Auditors

71 Queen Victoria Street
London
United Kingdom
EC4V 4BE

iSmash UK Trading Limited**Group income statement****For the year ended 31 December 2022**

		2022 £	2021 £
	Notes		
Turnover	3	13,979,016	10,570,047
Cost of sales		(6,880,572)	(5,005,166)
Gross profit		7,098,444	5,564,881
Administrative expenses		(12,922,429)	(8,979,558)
Other operating income		-	797,638
Operating loss	4	(5,823,985)	(2,617,039)
Interest payable and similar expenses	8	(57,500)	(468,110)
Loss before taxation		(5,881,485)	(3,085,149)
Tax on loss	9	116,776	-
Loss for the financial year		(5,764,709)	(3,085,149)

Loss for the financial year is all attributable to the owner of the parent company.

iSmash UK Trading Limited

Group statement of comprehensive income
For the year ended 31 December 2022

	2022	2021
	£	£
Loss for the year	(5,764,709)	(3,085,149)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(5,764,709)</u>	<u>(3,085,149)</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

iSmash UK Trading Limited

**Group statement of financial position
As at 31 December 2022**

			2022	2021
	Notes	£	£	£
Fixed assets				
Intangible assets	11		254,329	196,132
Tangible assets	12		2,615,123	2,371,059
			<u>2,869,452</u>	<u>2,567,191</u>
Current assets				
Stocks	16	1,653,318	1,633,725	
Debtors	17	3,589,303	4,875,591	
Cash at bank and in hand		1,070,479	4,789,576	
		<u>6,313,100</u>	<u>11,298,892</u>	
Creditors: amounts falling due within one year	18	(28,183,624)	(27,186,165)	
Net current liabilities			<u>(21,870,524)</u>	<u>(15,887,273)</u>
Total assets less current liabilities			<u>(19,001,072)</u>	<u>(13,320,082)</u>
Creditors: amounts falling due after more than one year	19	(292,795)	(209,076)	
Net liabilities			<u>(19,293,867)</u>	<u>(13,529,158)</u>
Capital and reserves				
Called up share capital	22	1,072,509	1,072,509	
Profit and loss reserves		(20,366,376)	(14,601,667)	
Total equity			<u>(19,293,867)</u>	<u>(13,529,158)</u>

iSmash Limited, iSmash Canary Wharf Limited and iSmash Ken High Limited are exempt from audit for the financial period ended 31 December 2022 pursuant to section 479A of the Companies Act 2006.

The financial statements were approved by the board of directors and authorised for issue on 29 December 2023 and are signed on its behalf by:

Richard Walker
Director

Company Registration No. 09347088 (England and Wales)

iSmash UK Trading Limited

Company statement of financial position
As at 31 December 2022

			2022		2021
	Notes	£	£	£	£
Fixed assets					
Intangible assets	11		254,329		196,132
Tangible assets	12		2,581,886		2,303,447
Investments	13		61,656		61,656
			<u>2,897,871</u>		<u>2,561,235</u>
Current assets					
Stocks	16	1,653,318		1,633,725	
Debtors	17	3,673,182		4,985,614	
Cash at bank and in hand		1,070,479		4,789,257	
		<u>6,396,979</u>		<u>11,408,596</u>	
Creditors: amounts falling due within one year	18	(28,388,398)		(27,382,389)	
Net current liabilities			<u>(21,991,419)</u>		<u>(15,973,793)</u>
Total assets less current liabilities			<u>(19,093,548)</u>		<u>(13,412,558)</u>
Creditors: amounts falling due after more than one year	19	(292,795)		(209,076)	
Net liabilities			<u>(19,386,343)</u>		<u>(13,621,634)</u>
Capital and reserves					
Called up share capital	22		1,072,509		1,072,509
Profit and loss reserves			(20,458,852)		(14,694,143)
Total equity			<u>(19,386,343)</u>		<u>(13,621,634)</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £5,764,709 (2021 - £3,085,149 loss).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 29 December 2023 and are signed on its behalf by:

Richard Walker
Director

Company Registration No. 09347088 (England and Wales)

iSmash UK Trading Limited

**Group statement of changes in equity
For the year ended 31 December 2022**

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2021	1,072,509	(11,516,518)	(10,444,009)
Year ended 31 December 2021:			
Loss and total comprehensive income	-	(3,085,149)	(3,085,149)
Balance at 31 December 2021	1,072,509	(14,601,667)	(13,529,158)
Year ended 31 December 2022:			
Loss and total comprehensive income	-	(5,764,709)	(5,764,709)
Balance at 31 December 2022	1,072,509	(20,366,376)	(19,293,867)

iSmash UK Trading Limited

**Company statement of changes in equity
For the year ended 31 December 2022**

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2021	1,072,509	(11,608,994)	(10,536,485)
Year ended 31 December 2021:			
Loss and total comprehensive income for the year	-	(3,085,149)	(3,085,149)
Balance at 31 December 2021	1,072,509	(14,694,143)	(13,621,634)
Year ended 31 December 2022:			
Profit and total comprehensive income	-	(5,764,709)	(5,764,709)
Balance at 31 December 2022	1,072,509	(20,458,852)	(19,386,343)

iSmash UK Trading Limited

Group statement of cash flows

For the year ended 31 December 2022

		2022	2021
	Notes	£	£
Cash flows from operating activities			
Cash (absorbed by)/generated from operations	26	(4,801,738)	5,589,146
Interest paid		(57,500)	(468,110)
Income taxes refunded		116,776	20,312
Net cash (outflow)/inflow from operating activities		(4,742,462)	5,141,348
Investing activities			
Purchase of intangible assets		(111,762)	(47,993)
Purchase of tangible fixed assets		(764,468)	(793,312)
Loss on disposal of tangible fixed assets		(58,620)	-
Net cash used in investing activities		(934,850)	(841,305)
Financing activities			
Repayment of borrowings		-	(6,750)
Intercompany financing received		1,958,215	-
Net cash generated from/(used in) financing activities		1,958,215	(6,750)
Net (decrease)/increase in cash and cash equivalents		(3,719,097)	4,293,293
Cash and cash equivalents at beginning of year		4,789,351	496,058
Cash and cash equivalents at end of year		1,070,254	4,789,351
Relating to:			
Cash at bank and in hand		1,070,479	4,789,576
Bank overdrafts included in creditors payable within one year		(225)	(225)

iSmash UK Trading Limited

Company statement of cash flows
For the year ended 31 December 2022

		2022	2021
	Notes	£	£
Cash flows from operating activities			
Cash (absorbed by)/generated from operations	27	(4,801,419)	5,589,146
Interest paid		(57,500)	(468,110)
Income taxes refunded		116,776	20,312
Net cash (outflow)/inflow from operating activities		(4,742,143)	5,141,348
Investing activities			
Purchase of intangible assets		(111,762)	(47,993)
Purchase of tangible fixed assets		(764,468)	(793,312)
Loss on disposal of tangible fixed assets		(58,620)	-
Net cash used in investing activities		(934,850)	(841,305)
Financing activities			
Repayment of borrowings		-	(6,750)
Purchase of derivatives		1,958,215	-
Net cash generated from/(used in) financing activities		1,958,215	(6,750)
Net (decrease)/increase in cash and cash equivalents		(3,718,778)	4,293,293
Cash and cash equivalents at beginning of year		4,789,257	495,964
Cash and cash equivalents at end of year		1,070,479	4,789,257

iSmash UK Trading Limited

Notes to the financial statements

For the year ended 31 December 2022

1 Accounting policies

Company information

iSmash UK Trading Limited ("the company") is a private limited company incorporated in England and Wales. The registered office is Suite 3.08, 20 Procter Street, London, WC1V 6NX.

The group consists of iSmash UK Trading Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The group follows a 4-4-5 accounting calendar, as such the financial statements are prepared to 1 January 2023.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated group financial statements consist of the financial statements of the parent company iSmash UK Trading Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1 Accounting policies (continued)

1.3 Going concern

The directors believe that, after making enquiries of the parent undertaking, iSmash Group Limited, and ultimate shareholders they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company has obtained a letter of support from the parent undertaking, iSmash Group Limited confirming that they, will continue to provide, or arrange to provide, resources to enable them to continue that financial support for a period of at least 12 months from date of signing of these financial statements. The directors have also obtained letters of support from two primary shareholders TELUS and Mountain berg of the ultimate parent company that confirms that they too will also continue to provide, or arrange to provide, resources to enable them to continue that financial support for a period of at least 12 months from the date of signing of these financial statements.

The Company has prepared cash flow forecasts covering a 12-month period from the date of approval of these financial statements. In preparing these forecasts, the Company has considered the principal areas of uncertainty within the forecasts and the underlying assumptions, in particular those relating to market risks, cost management and the macro-economic environment. The directors acknowledge there are potentially significant sensitivities in the cash flow forecast given the challenging trading conditions and factors outside of the company control. These forecasts show that the Company requires further financial support within the next 12 months and £1,954,028 has been provided by the shareholders in the form of convertible loan notes following the year end.

Accordingly, the financial statements have been prepared on a going concern basis.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Website	3 or 10 years straight line
---------	-----------------------------

1 Accounting policies (continued)

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised 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	10 years straight line
Fixtures and fittings	3 or 5 years straight line
Computers	3 years straight line

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.

1.7 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting period 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 company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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.

1 Accounting policies (continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. 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.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

1 Accounting policies (continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 Taxation

The tax expense represents the sum of the tax currently payable.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1 Accounting policies (continued)

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

The government grants included in the Profit and Loss Account for the year ended 31 December 2021 relate to business support issued by the UK government in response to the Covid-19 pandemic.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stock valuation

Stock is carried at the lower of cost and net realisable value. Realisable value includes, where necessary, provisions for slow moving and obsolete stock. The calculation of these provisions require judgements to be made, which include using the ageing profile of the stock on hand, historical sales patterns, post year end trading patterns and forecast consumer demand. At the year end there was a closing provision against stock of £361,388 (2021: £361,388).

3 Turnover and other revenue

	2022	2021
	£	£
Other revenue		
Grants received	-	797,638
	<u> </u>	<u> </u>

iSmash UK Trading Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

4 Operating loss

	2022	2021
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange gains	(294)	-
Government grants	-	(797,638)
Depreciation of owned tangible fixed assets	555,092	500,976
Impairment of owned tangible fixed assets	-	126,946
Loss on disposal of tangible fixed assets	23,932	-
Amortisation of intangible assets	53,565	34,634
Stocks impairment losses recognised or reversed	-	180,375
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2022	2021
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	62,150	34,500
Audit of the financial statements of the company's subsidiaries	2,350	2,350
	<u> </u>	<u> </u>
	<u>64,500</u>	<u>36,850</u>
For other services		
Taxation compliance services	9,350	7,700
All other non-audit services	-	8,000
	<u> </u>	<u> </u>
	<u>9,350</u>	<u>15,700</u>

6 Employees

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

	Group		Company	
	2022	2021	2022	2021
	Number	Number	Number	Number
Retail	115	119	115	119
Non-Retail	52	46	52	46
Other	4	-	4	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>171</u>	<u>165</u>	<u>171</u>	<u>165</u>

iSmash UK Trading Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

6 Employees (continued)

Their aggregate remuneration comprised:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Wages and salaries	4,909,585	4,019,364	4,909,585	4,019,364
Social security costs	481,044	353,905	481,044	353,905
Pension costs	75,704	55,328	75,704	55,328
	<u>5,466,333</u>	<u>4,428,597</u>	<u>5,466,333</u>	<u>4,428,597</u>

7 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	<u>179,000</u>	<u>376,650</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2022	2021
	£	£
Remuneration for qualifying services	<u>n/a</u>	<u>138,931</u>

As total directors' remuneration was less than £200,000 in the current year, no disclosure is provided for that year.

8 Interest payable and similar expenses

	2022	2021
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	<u>57,500</u>	<u>468,110</u>

iSmash UK Trading Limited**Notes to the financial statements (continued)****For the year ended 31 December 2022****9 Taxation**

	2022	2021
	£	£
Current tax		
Other tax reliefs	(116,776)	-
	<u></u>	<u></u>

The actual (credit)/charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£	£
Loss before taxation	(5,881,485)	(3,085,149)
	<u></u>	<u></u>
Expected tax credit based on the standard rate of corporation tax in the UK of 25.00% (2021: 19.00%)	(1,470,371)	(586,178)
Unutilised tax losses carried forward	1,353,595	586,178
	<u></u>	<u></u>
Taxation credit	(116,776)	-
	<u></u>	<u></u>

10 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2022	2021
		£	£
In respect of:			
Property, plant and equipment	12	-	126,946
Stocks	16	-	180,375
		<u></u>	<u></u>
Recognised in:			
Cost of sales		-	180,375
Administrative expenses		-	126,946
		<u></u>	<u></u>

The impairment losses in respect of financial assets are recognised in other gains and losses in the income statement.

iSmash UK Trading Limited**Notes to the financial statements (continued)****For the year ended 31 December 2022****11 Intangible fixed assets**

Group	Website £
Cost	
At 1 January 2022	321,089
Additions	111,762
At 31 December 2022	432,851
Amortisation and impairment	
At 1 January 2022	124,957
Amortisation charged for the year	53,565
At 31 December 2022	178,522
Carrying amount	
At 31 December 2022	254,329
At 31 December 2021	196,132
Company	Website £
Cost	
At 1 January 2022	321,089
Additions	111,762
At 31 December 2022	432,851
Amortisation and impairment	
At 1 January 2022	124,957
Amortisation charged for the year	53,565
At 31 December 2022	178,522
Carrying amount	
At 31 December 2022	254,329
At 31 December 2021	196,132

iSmash UK Trading Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

12 Tangible fixed assets

Group	Leasehold land and buildings	Fixtures and fittings	Computers	Total
	£	£	£	£
Cost				
At 1 January 2022	4,006,860	785,630	195,674	4,988,164
Additions	437,668	235,176	91,624	764,468
Disposals	(66,232)	(20,883)	-	(87,115)
Transfers	-	-	74,298	74,298
At 31 December 2022	4,378,296	999,923	361,596	5,739,815
Depreciation and impairment				
At 1 January 2022	1,855,591	636,384	125,130	2,617,105
Depreciation charged in the year	404,095	105,330	45,667	555,092
Eliminated in respect of disposals	(28,754)	(18,751)	-	(47,505)
At 31 December 2022	2,230,932	722,963	170,797	3,124,692
Carrying amount				
At 31 December 2022	2,147,364	276,960	190,799	2,615,123
At 31 December 2021	2,151,269	149,246	70,544	2,371,059
Company	Leasehold land and buildings	Fixtures and fittings	Computers	Total
	£	£	£	£
Cost				
At 1 January 2022	3,667,718	785,630	195,674	4,649,022
Additions	437,668	235,176	91,624	764,468
Disposals	(66,232)	(20,883)	-	(87,115)
Transfers	-	-	74,298	74,298
At 31 December 2022	4,039,154	999,923	361,596	5,400,673
Depreciation and impairment				
At 1 January 2022	1,584,061	636,384	125,130	2,345,575
Depreciation charged in the year	369,720	105,330	45,667	520,717
Eliminated in respect of disposals	(28,754)	(18,751)	-	(47,505)
At 31 December 2022	1,925,027	722,963	170,797	2,818,787
Carrying amount				
At 31 December 2022	2,114,127	276,960	190,799	2,581,886
At 31 December 2021	2,083,657	149,246	70,544	2,303,447

iSmash UK Trading Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

12 Tangible fixed assets (continued)

More information on impairment movements in the year is given in note 10.

13 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	14	-	-	61,656	61,656
Movements in fixed asset investments					
Company					Shares in subsidiaries £
Cost or valuation					
At 1 January 2022 and 31 December 2022					61,656
Carrying amount					
At 31 December 2022					61,656
At 31 December 2021					61,656

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct
iSmash Canary Wharf Limited	United Kingdom	Leaseholder	Ordinary	100.00
iSmash Ken High Limited	United Kingdom	Leaseholder	Ordinary	100.00
iSmash Limited	United Kingdom	Leaseholder	Ordinary	100.00

Registered office addresses (all UK unless otherwise indicated):

1 Greenhill House, 90-93 Cowcross Street, London, England, EC1M 6BF.

15 Financial instruments

	Group 2022 £	2021 £	Company 2022 £	2021 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	1,666,709	1,184,290	1,750,588	1,294,313
Carrying amount of financial liabilities				
Measured at amortised cost	27,713,920	25,947,871	27,918,694	26,144,095

iSmash UK Trading Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

16 Stocks

	Group	2021	Company	2021
	2022		2022	
	£	£	£	£
Finished goods and goods for resale	1,653,318	1,633,725	1,653,318	1,633,725

17 Debtors

	Group	2021	Company	2021
	2022		2022	
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	685,039	368,619	685,039	368,619
Other debtors	981,670	815,671	1,065,549	925,694
Prepayments and accrued income	1,922,594	3,691,301	1,922,594	3,691,301
	<u>3,589,303</u>	<u>4,875,591</u>	<u>3,673,182</u>	<u>4,985,614</u>

18 Creditors: amounts falling due within one year

	Group	2021	Company	2021
	2022		2022	
	£	£	£	£
Notes				
Bank loans and overdrafts	225	225	-	-
Trade creditors	1,095,462	1,150,475	1,095,462	1,150,475
Amounts owed to group undertakings	25,442,905	23,427,191	25,442,905	23,427,191
Other taxation and social security	762,499	1,447,370	762,499	1,447,370
Other creditors	27,587	16,304	248,041	228,208
Accruals and deferred income	854,946	1,144,600	839,491	1,129,145
	<u>28,183,624</u>	<u>27,186,165</u>	<u>28,388,398</u>	<u>27,382,389</u>

A limited guarantee has been given by a Director Julian Shovlin for an amount of £150,000 (2021: £150,000).

The above amounts due to group undertakings is in respect of a loan from the parent company being iSmash Group Ltd. Interest is recharged to reflect the financing arrangements in iSmash Group Limited.

19 Creditors: amounts falling due after more than one year

	Group	2021	Company	2021
	2022		2022	
	£	£	£	£
Other creditors	292,795	209,076	292,795	209,076

iSmash UK Trading Limited**Notes to the financial statements (continued)****For the year ended 31 December 2022****20 Retirement benefit schemes**

	2022	2021
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	75,704	55,328

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

21 Share-based payment transactions

The parent company had a share based option scheme for certain employees employed by iSmash UK Trading Limited.

Options were exercisable at a price equal to the estimated fair value of the company's shares on the date of the grant. The vesting period is nine years and the options can be exercised on an exit or on the ninth anniversary of the grant date - May 2027.

There were 325 options outstanding at 31 December 2021, however these were cancelled during the year and replaced by a new share option scheme in iSmash Group Limited.

As above, the parent company put in place a share option scheme for four key managers employed by iSmash UK trading in May 2022, granting 748 options in total. The vesting period is four years and the options can be exercised on an exit or on the ninth anniversary of the grant date. No shares were exercisable at the end of the period.

The fair value of the share options at the grant date was calculated using recent share transactions as an estimate of fair value. As a result of this calculation management have not recognised a share-based payment expense.

22 Share capital

	Group and company	
	2022	2021
Ordinary share capital	£	£
Issued and fully paid		
1,072,398 Ordinary A shares of £1 each	1,072,398	1,072,398
11,058 Ordinary B shares of 1p each	111	111
	<u>1,072,509</u>	<u>1,072,509</u>

The company two classes of ordinary shares, Ordinary A shares and Ordinary B shares. On a return of capital on liquidation or otherwise, the surplus assets of the company after payments of its liabilities will accrued first to the A Ordinary Shareholders and is subject to a hurdle.

The A Ordinary shares have voting and income rights. The B Ordinary shares do not have voting or income rights.

The rights attaching to the B Ordinary shares may be varied or abrogated by an ordinary resolution of the Company.

iSmash UK Trading Limited**Notes to the financial statements (continued)****For the year ended 31 December 2022****23 Operating lease commitments**

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Within one year	1,986,274	2,045,950	1,782,046	1,820,950
Between two and five years	4,928,961	6,103,426	4,912,453	5,949,604
In over five years	889,229	1,634,125	889,229	1,634,125
	<u>7,804,464</u>	<u>9,783,501</u>	<u>7,583,728</u>	<u>9,404,679</u>

24 Related party transactions**Remuneration of key management personnel**

The remuneration of key management personnel is as follows.

	2022	2021
	£	£
Aggregate compensation	<u>372,904</u>	<u>458,107</u>

Other information

The Directors, CEO and Finance Director are considered to be key management personnel.

The company has taken advantage of the exemption in FRS102 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

During the year to 31 December 2022, the company incurred advertising costs of £2,029,024 relating to the activities and spend carried out by Sky UK Limited on their behalf. At the year end, there is a prepayment in debtors of £1,300,000 that relates to prepaid advertising costs with Sky as part of the issue of iSmash Group Limited shares to Sky. Sky is a shareholder in UK Trading's parent, iSmash Group Limited, which wholly owns iSmash UK Trading Limited.

25 Controlling party

The parent company of iSmash UK Trading Ltd is iSmash Group Ltd and its registered office is Geneva Place, Waterfront Drive, P.O Box 3469, Road Town, Tortola, British Virgin Islands.

There is no ultimate controlling party.

iSmash UK Trading Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

26 Cash (absorbed by)/generated from group operations

	2022	2021
	£	£
Loss for the year after tax	(5,764,709)	(3,085,149)
Adjustments for:		
Taxation credited	(116,776)	-
Finance costs	57,500	468,110
Loss on disposal of tangible fixed assets	23,932	-
Amortisation and impairment of intangible assets	53,565	34,634
Depreciation and impairment of tangible fixed assets	555,092	627,922
Movements in working capital:		
Increase in stocks	(19,593)	(285,990)
Decrease in debtors	1,286,288	664,873
(Decrease)/increase in creditors	(877,037)	7,196,246
Decrease in deferred income	-	(31,500)
Cash (absorbed by)/generated from operations	(4,801,738)	5,589,146

27 Cash (absorbed by)/generated from operations - company

	2022	2021
	£	£
Loss for the year after tax	(5,764,709)	(3,085,149)
Adjustments for:		
Taxation credited	(116,776)	-
Finance costs	57,500	468,110
Loss on disposal of tangible fixed assets	23,932	-
Amortisation and impairment of intangible assets	53,565	34,634
Depreciation and impairment of tangible fixed assets	520,717	593,547
Movements in working capital:		
Increase in stocks	(19,593)	(285,990)
Decrease in debtors	1,312,432	690,751
(Decrease)/increase in creditors	(868,487)	7,204,743
Decrease in deferred income	-	(31,500)
Cash (absorbed by)/generated from operations	(4,801,419)	5,589,146

iSmash UK Trading Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

28 Analysis of changes in net funds - group

	1 January 2022	Cash flows	31 December 2022
	£	£	£
Cash at bank and in hand	4,789,576	(3,719,097)	1,070,479
Bank overdrafts	(225)	-	(225)
	<u>4,789,351</u>	<u>(3,719,097)</u>	<u>1,070,254</u>
	<u><u>4,789,351</u></u>	<u><u>(3,719,097)</u></u>	<u><u>1,070,254</u></u>

29 Analysis of changes in net funds - company

	1 January 2022	Cash flows	31 December 2022
	£	£	£
Cash at bank and in hand	4,789,257	(3,718,778)	1,070,479
	<u>4,789,257</u>	<u>(3,718,778)</u>	<u>1,070,479</u>
	<u><u>4,789,257</u></u>	<u><u>(3,718,778)</u></u>	<u><u>1,070,479</u></u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.