

***Bidstack Limited**  
Registered number: 09835625  
Annual Report and Accounts  
For the year ended 31 December 2022*

# **Bidstack Limited**

## **Annual Report and Accounts**

Registered number 09835625

For the year ended 31 December 2022



## **COMPANY INFORMATION**

### **DIRECTORS**

J Draper  
D Garvey

### **REGISTERED NUMBER**

09835625

### **REGISTERED OFFICE**

Wework The Hewett  
3<sup>rd</sup> Floor  
14 Hewett Street  
London  
EC2A 3NP

### **INDEPENDENT AUDITORS**

Haysmacintyre LLP  
10 Queen Street Place  
London  
EC4R 1AG

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## Directors' report

The directors present their report together with the audited financial statements for the year ended 31 December 2022.

### Principal activity

The principal activity of the company is the provision of native in-game advertising.

### Strategic report

For the year ended 31 December 2022 the Company was exempt from preparing a strategic report under section 414B of the Companies Act 2006 relating to small companies.

A full copy of the Annual Report and Accounts including strategic report, of the ultimate parent company (Bidstack Group Plc) can be found at [www.bidstackgroup.com/financial-reports](http://www.bidstackgroup.com/financial-reports).

### Results and dividends

The results of the Company for the year ended 31 December 2022 are set out on page 7 and show a loss for the year of £5,695,919 (2021: loss of £5,635,648). The directors do not recommend the payment of a dividend (2021: £nil).

### Directors

The directors who held office during the year were as follows:

		Appointed	Resigned
J Draper	Executive		
D Garvey	Executive		
F Petruzzelli	Executive		28 December 2022

### Going concern

The Board continues to adopt the going concern basis in the preparation of the financial statements. The Company is reliant on further support from its parent undertaking in order to continue trading for at least twelve months from the date of approval of the financial statements. The parent company has pledged its support, which is contingent upon successful fundraising activities by the parent company in the future.

The Company's parent undertaking is dependent on further equity fundraising and proceeds from the litigations settlement in order to operate as a going concern for at least twelve months from the date of approval of the financial statements. Although the parent Group has had past success in fundraising and continues to attract interest from investors, making the Board confident that such fundraising will be available to provide the Company with the required capital, there can be no guarantee that such fundraising or the proceeds from the litigation settlement will be available. Accordingly, this constitutes a material uncertainty over going concern.

Notwithstanding the above, the Company's parent company has considered various alternative operating strategies should these be necessary in the light of actual trading performance not matching the Company's forecasts given current macro-economic conditions and is satisfied that such revised operating strategies could be adopted, if and when necessary. Therefore, the Directors consider the going concern basis of preparation is appropriate.

## **Directors' report (continued)**

### **Auditors**

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information.

The directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board



James Draper  
Director  
27 September 2023

## **Statement of Directors' responsibilities**

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

Company law requires the directors to prepare an annual report and accounts for each financial year. Under that law the directors have prepared the annual report and accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the directors must not approve the annual report and accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the statement of comprehensive income of the company for that period. In preparing these annual report and accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the members of Bidstack Limited**

### ***Opinion***

We have audited the financial statements of Bidstack Limited (the 'Company') for the year ended 31 December 2022 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity and notes to the financial statements, including a summary of 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 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

### ***Emphasis of matter***

We draw your attention to note 10 in the financial statements which describe the conditions on which management have assessed the recoverability of the amount owed by Azerion. Our opinion is not modified in this respect.

### ***Material Uncertainty related to going concern***

We draw attention to note 2 in the financial statements, which indicates that the company generated a loss for the year of £5,695,919 (2021: loss £5,635,648). The Company is reliant on further support from its parent company in order to continue trading for at least twelve months from the date of approval of the financial statements. The parent company has pledged its support, which is contingent upon successful fundraising activities by the parent company in the future. The parent company is dependent on further equity fundraising in order to operate as a going concern for at least twelve months from the date of approval of the financial statements. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### ***Other information***

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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. In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

## **Independent auditor's report to the members of Bidstack Limited (continued)**

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### ***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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

### ***Matters on which we are required to report by exception***

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

### ***Responsibilities of directors***

As explained more fully in the directors' responsibilities statement set out on page 3, 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 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 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.

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:



## **Independent auditor's report to the members of Bidstack Limited (continued)**

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

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

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to revenue and also management bias in accounting estimates. Audit procedures performed by the engagement team included:

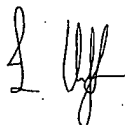
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular unusual journal entries posted by management to revenue, unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.



Ian Cliffe (Senior Statutory Auditor)  
For and on behalf of Haysmacintyre LLP, Statutory Auditors  
27 September 2023

10 Queen Street Place  
London  
EC4R 1AG

**Statement of comprehensive income**  
for the year ended 31 December 2022

	Note	Year ended 31 December 2022	Year ended 31 December 2021
		£	£
<b>Revenue</b>	4	4,521,731	2,623,409
Cost of sales		<u>(1,484,512)</u>	<u>(1,674,279)</u>
<b>Gross profit</b>		3,037,219	949,131
Recharged group expenses	5	(1,561,946)	(1,837,815)
Administrative expenses	5	(8,250,328)	(6,407,939)
<b>Operating loss before taxation</b>		<u>(6,775,055)</u>	<u>(7,296,623)</u>
Taxation	7	<u>1,079,136</u>	<u>1,660,975</u>
<b>Total comprehensive loss for the year</b>		<u>(5,695,919)</u>	<u>(5,635,648)</u>

The results reflected above relate to continuing activities.

No separate Statement of Other Comprehensive has been presented because the Company has no items of comprehensive income other than the profit for the financial year.

The notes on pages 10 to 26 form part of these financial statements.

**Statement of financial position**  
as at 31 December 2022

	Note	31 December 2022 £	31 December 2021 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	13	2,614	2,614
Intangible assets	8	554,031	15,624
Property, plant and equipment	9	40,598	41,077
<b>Total non-current assets</b>		<b>597,243</b>	<b>59,315</b>
<b>Current assets</b>			
Trade and other receivables	10	9,199,166	2,681,390
Cash and cash equivalents	11	261,396	337,687
<b>Total current assets</b>		<b>9,460,562</b>	<b>3,019,077</b>
<b>Total assets</b>		<b>10,057,805</b>	<b>3,078,392</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	169	169
Share premium account	14	1,515,629	1,515,629
Capital contribution reserve	14	1,988,556	824,034
Capital redemption reserve	14	23	23
Retained losses	14	(22,516,882)	(16,820,963)
<b>Total equity</b>		<b>(19,012,505)</b>	<b>(14,481,108)</b>
<b>Current liabilities</b>			
Trade and other payables	12	29,070,310	17,559,500
<b>Total current liabilities</b>		<b>29,070,310</b>	<b>17,559,500</b>
<b>Total equity and liabilities</b>		<b>10,057,805</b>	<b>3,078,392</b>

These annual report and accounts were approved by the directors on 27 September 2023 and are signed on their behalf by:



**James Draper**  
Director

The notes on pages 10 to 26 form part of these financial statements.

**Statement of changes in equity**  
for the year ended 31 December 2022

	Share capital £	Share premium £	Capital Contribution reserve £	Capital redemption reserve £	Retained losses £	Total equity £
<b>Balance as at 01 January 2021</b>	169	1,515,629	663,645	23	(11,185,315)	(9,005,849)
Share-based payments	-	-	160,389	-	-	160,389
Loss and total comprehensive income for the year	-	-	-	-	(5,635,648)	(5,635,648)
<b>Balance as at 31 December 2021</b>	169	1,515,629	824,034	23	(16,820,963)	(14,481,108)
Share-based payment	-	-	1,164,522	-	-	1,164,522
Total comprehensive loss for the year	-	-	-	-	(5,695,919)	(5,695,919)
<b>Balance as at 31 December 2022</b>	169	1,515,629	1,988,556	23	(22,516,882)	(19,012,505)

The notes on pages 10 to 26 form part of these financial statements.

## Notes to the financial statements

### 1 General information

The company is a private company limited by shares and is incorporated in England & Wales under the Companies Act. The address of its registered office is Wework, The Hewett, 3rd Floor, 14 Hewett Street, London, EC2A 3NP.

The registered number of the company is 09835625.

The principal activity of the company is the provision of native in-game advertising.

### 2 Accounting policies

#### *Basis of preparation*

The financial statements have been prepared in accordance with Financial Reporting Standard FRS 101 Reduced disclosure framework. The principal accounting policies adopted in the preparation of financial statements are set out below.

The financial statements have been prepared on a historical cost basis. The presentation currency used is Sterling (£).

The principal accounting policies outlined below have been applied:

#### *Financial reporting standard 101 - reduced disclosure exemptions*

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of the number of shares outstanding at the start and end of the prior period;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member. Exemption from disclosure of compensation for key management personnel and amounts incurred by an entity for the provision of key management personnel services that are provided by a separate management entity.
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

In addition, and in accordance with FRS 101, further disclosure exemption have been applied because equivalent disclosures are included in the consolidated financial statements of Bidstack Group Plc. These financial statements do not include certain disclosures in respect of:

- Share based payments – details of the number and weighted average exercise price of share options, and how the fair value of services received was determined as per paragraphs 45(b) and 46 to 52 of IFRS 2 Share-Based Payment.
- Financial Instrument disclosures as required by IFRS 7 *Financial Instruments: Disclosures*

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### **Bidstack Group Plc**

These financial statements are consolidated in the financial statements of Bidstack Group Plc, which is the parent undertaking of the largest and the smallest group for which consolidated statements are prepared and these are publicly available. The financial statements of Bidstack Group Plc may be obtained from [www.bidstack.com](http://www.bidstack.com).

#### ***Impact of new international reporting standards, amendments and interpretations***

##### *New standards, amendments to standards or interpretations adopted by the Group and Company*

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current *and* Amendments to IAS 1: Classification of Liabilities as Current or Non-current – Deferral of Effective Date – effective 1 January 2023\*
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies – effective 1 January 2023
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates – effective 1 January 2023
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities arising from a Single Transaction - effective 1 January 2023

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 *Leases* (Amendment – Liability in a Sale and Leaseback)
- IAS 1 *Presentation of Financial Statements* (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 *Presentation of Financial Statements* (Amendment – Non-current Liabilities with Covenants)

\*Not yet endorsed in the UK

#### ***Going concern***

The Board continues to adopt the going concern basis to the preparation of the financial statements as it is confident of the Group continuing operations into the foreseeable future. The Board's forecasts for the company include due consideration of future capital in-flows, continued operating losses, projected increase in revenues and cash-burn of the Company (and taking account of reasonably possible changes in trading performance and also changes outside of expected trading performance) for a minimum period of at least twelve months from the date of approval of these financial statements.

The financial statements for the year to 31 December 2022 show that the Company generated a loss of £5,695,919 (2021: Loss £5,268,134). The Company is reliant on further support from its parent company in order to continue trading for at least twelve months from the date of approval of the financial statements. The parent company has pledged this support.

The parent entity of the Company is reliant on subsequent equity fundraising and anticipated proceeds from a litigation settlement to maintain its going concern status and to extend financial support to its subsidiary entities for a period of at least twelve months subsequent to the approval date of these financial statements. While the Group's parent has historically been successful in securing funds and continues to receive attention from prospective investors, there is no definitive assurance that the expected fundraising or the anticipated proceeds from the litigation settlement will be realized. This situation introduces a material uncertainty, that may cast significant doubt on the company's ability to continue as a going concern.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### *Going concern (continued)*

Notwithstanding the above, the Board has considered various alternative operating strategies should these be necessary in the light of actual trading performance not matching the Group's forecasts given current macro-economic conditions and is satisfied that such revised operating strategies could be adopted, if and when necessary. Therefore, the Directors consider the going concern basis of preparation is appropriate.

#### *Investments*

Investment in subsidiary undertakings are accounted for at cost less impairment. Advances to subsidiaries are initially recorded at fair value based on a market rate of interest and subsequently at amortised cost.

#### *Revenue recognition*

Revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The underlying principle is a five-step approach to identify a contract, determine performance obligations, the consideration and the allocation thereof, and timing of revenue recognition. IFRS 15 also includes guidance on the presentation of assets and liabilities arising from contracts with customers, which depends on the relationship between Company's performance and the customers' payment.

The Company recognises revenue from the follow activities:

- Revenue from Media contracts; whereby Company's inventory is sold to advertisers directly or programmatically;
- Revenue from Sponsorship contracts; whereby the Company enter into a contract with the brand direct or advertising agency to provide a customized campaign in a chosen video game;
- Revenue from Minimum Guarantee; whereby the Group entered into an exclusive contract with Azerion as its provider of reseller services in relation to Bidstack SDK formats.

Revenue from contracts with customers is recognised when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service.

The Company identified the performance obligations that related to the above stated revenue activities as follows:

- Revenue from Media contracts; based on agreed impressions that have been delivered between the campaign start and end date;
- Revenue from Sponsorship contracts; the delivery of a customised placement of advertising into the agreed game;
- Revenue from Minimum Guarantee; the provision of an agreed amount of in-game advertising inventory over the duration of the contract.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### *Revenue recognition (continued)*

For each performance obligation that is satisfied over time, the Company applies a single method of measuring progress towards complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. To do this, the Company has adopted an appropriate output method. For the Company, that is the rights to access and use the brand assets and the provision of in-game advertising inventory over the period of the contract.

The Company identifies the transaction price that relate to the above stated revenue generating activities as follows:

- Revenue from Media contracts; based on the Company's rate card by CPM multiplied by the agreed number of impressions;
- Revenue from Sponsorship contracts; based on the cost set by the game developer. The Company implements a cost plus model for sponsorship;
- Revenue from Minimum Guarantee; the minimum guarantee's transaction price is included within the contract.

The Company has applied a practical expedient which allows an entity to apply the accounting for a contract with a customer to a portfolio of contracts with similar characteristics if the entity reasonably expects the effects on the financial statements of applying IFRS 15. The Company has assessed the contracts and comfortable that the effects on the financial statements of applying IFRS 15 would not differ materially from applying this Standard to the individual contracts (or performance obligations) within that portfolio.

The Company assesses the contract with the customer to identify the separate performance obligations which would consist of an 'access rights' and the 'provision of in-game advertising inventory'. The Company transfer of the in-game advertising inventory sold usually coincides with the delivery of that inventory and the customer being able to utilise it. The Company principally satisfies its performance obligations at that point in time and recognises revenue on delivery.

#### *Net finance costs*

Finance costs comprise interest on bank loans and other interest payable. Interest on bank loans and other interest is charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Finance income comprises interest receivable on loans to related parties. Interest income is recognised in the Statement of Comprehensive Income as it accrues using the effective interest method.

#### *Taxation*

Current tax is recognised for the amount of corporation tax payable in respect of taxable profit for the current or past reporting periods using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on initial recognition of a business combination, the tax expense/(income) is presented either in the income statement, other comprehensive income or equity depending on the transaction that resulted in the tax expense/(income).:



## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

Deferred tax assets and deferred tax liabilities are offset only if:

- the company has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to corporation tax levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.
- Research and Development Tax Credits are recognised as receivables when an inflow of economic benefit is certain, until then a contingent asset in respect of probable Corporation Tax is disclosed.

#### *Intangible assets*

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Company and that its cost can be measured reliably, the asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Amortisation is charged on a straight-line basis through the profit or loss. The rates applicable, which represent the directors' best estimate of the useful economic life, are:

- Website costs – 5 years
- Trademarks – straight line over the life of the trademark
- Research and Development – 5 years

#### *Internally generated intangible assets (development costs)*

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- It is technically feasible to develop the product for it to be sold;
- Adequate resources are available to complete the development;
- There is an intention to complete and sell the product;
- The company is able to sell the product;
- Sale of the product will generate future economic benefits; and
- Expenditure on the project can be measured reliably.

Capitalised development costs are subsequently amortised on a straight line basis over the periods the company expects to benefit from selling the products developed, which is 5 years. The amortisation expense is included within the administrative expenses in the statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

#### *Property, plant and equipment*

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. Depreciation is provided on all items of property, plant and equipment, so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

- Computer equipment – 33.33% straight line
- Office equipment – 20% straight line

## **Notes to the financial statements (continued)**

### **2 Accounting policies (continued)**

#### ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### ***Financial assets***

The Company classifies all of its financial assets as loans and other receivables. Financial assets do not comprise of prepayments. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company's financial assets held at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

The Company applies approach to measuring expected credit losses (ECL) is to use a lifetime expected loss allowance for all trade receivables. The Company measures ECL based on historical data by determining the historical default rates to be applied to the Company's trade receivables. The Company adjusts the historical default rates to incorporate forward looking information looking at any linear or non-linear relationships that could impact the Company's credit losses. The Company apply those default rates against the trade receivables that have been analysed out into time buckets based on their risk profile to determine the ECL to be applied. The Company separately assesses the trade receivables for any bad debt provisions.

#### ***Trade and other payables***

Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method.

#### ***Share Capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as deduction net of tax, before proceeds.

#### ***Share-based payments***

Where share options are award to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted.

As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period. Where equity instruments are granted to persons other than employees, the income statement is charged with fair value of goods and services received.

## **Notes to the financial statements (continued)**

### **2 Accounting policies (continued)**

#### ***Foreign currency translation***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

#### ***Research and development***

Research and development expenditure that does not meet the criteria of an intangible asset is recognised as an expense as incurred. Development costs are only capitalised after technical and commercial feasibility of the asset for sale or use have been established. The Company must intend to complete the asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefit. If the Group cannot distinguish between research and development phase, then all costs are expensed as research costs.

### **3 Critical accounting estimates and judgements**

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

#### ***Estimates and assumptions***

##### ***The timing in recognising revenue from contracts with customers***

The Company has revenue generating activities whereby performance obligations are satisfied both at a point in time and satisfied over time.

For revenue that is satisfied over time, which represents revenue generated from the Azerion Minimum Guarantee ("MG"), the Company assesses the contracts in place between itself and the vendor.

With regards to the MG, the transaction stand-alone price is determined within the contract. This is allocated across the duration of the contract to define the MG applicable in FY2022, FY2023 and FY2024.

The Company ensures that any new contracts with customers are reviewed to ensure that both the timing of satisfaction of performance obligations and the transaction price and the amounts allocated to performance obligations are correct.

For each performance obligation that is satisfied over time, the Company applies a single method of measuring progress towards complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. For the Company, that is the rights to access and use the brand assets and the provision of in-game advertising inventory over the period of the contract.

##### ***Useful lives of property, plant and equipment***

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the company's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and carrying amounts of property, plant and equipment would reduce accordingly. The carrying amount of property, plant and equipment by each class is included in note 9 and details of the useful lives are included within the accounting policy.

## Notes to the financial statements (continued)

### 3 Critical accounting estimates and judgements

#### *Revenue recognition from Azerion contract*

The Company entered into a contract with Azerion on 16 December 2021 that commenced on 1 March 2022 until 29 February 2024. The agreement stated that the Company appointed Azerion as its sole third party provider of reseller services in relation to Bidstack's SDK formats in the territories covered under the agreement

Included in the contract were prescribed amounts payable for the period 1 March 2022 to 31 December 2022, 1 January 2023 to 31 December 2023 and 1 January 2024 to 29 February 2024. In the event that the cumulative period to date net saves revenue does not exceed the respective cumulative revenue target, Azerion would pay the Company the shortfall amount. In the case that a payment is due, the Company would report to Azerion the Average Media Cost that would typically apply to the shortfall amount and any documented binding minimum guarantee obligations the Company has towards Publishers as a result of the sales shortfall.

The Media Cost Reimbursement is determined by the minimum revenue guarantee shortfall amount less Bidstack's average media cost. This has then been allocated across the duration of the contract to define the MG applicable in FY2022, FY2023 and FY2024.

#### *Useful lives of intangible assets*

Intangible assets are amortised over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue. These estimates are reviewed at least annually and changes to these estimates can result in significant variations in the carrying value and amounts charged to profit or loss. The carrying amount of intangible assets by each class is included in note 8 and details of the useful lives are included within the accounting policy.

#### *Capitalised research and development costs*

Research and development expenditure that does not meet the criteria of an intangible asset is recognised as an expense as incurred. Development costs are only capitalised after technical and commercial feasibility of the asset for sale or use have been established. The Company must intend to complete the asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefit. If the Company cannot distinguish between research and development phase, then all costs are expensed as research costs.

### 4 Segmental information

During the year ended 31 December 2022 and the year ended 31 December 2021, the Group operated one business segment, that of the provision of native in-game advertising across the US and in EMEA.

The revenue has been segmented based on geographical regions US and EMEA and by revenue type. This is used by the chief operating decision makers to perform their role.

	31 December 2022	31 December 2021
	£	£
<b>Revenue by Geographical Region</b>		
US	167,628	863,691
EMEA	4,354,103	1,759,718
	<u>4,521,731</u>	<u>2,623,409</u>

## Notes to the financial statements (continued)

### 5 Loss for the year

	31 December 2022	31 December 2021
	£	£
<i>The loss for the year has been arrived at after charging:</i>		
Depreciation of property, plant and equipment	23,045	20,896
Amortisation of intangible assets	49,815	9,483
Premises rental costs	287,801	298,560
Recharged group expenses	1,561,946	1,837,815
Auditors' remuneration		
Fees for the audit of the Bidstack Ltd's financial statements	25,000	20,000

Recharged group expenses relate to employee costs incurred by Bidstack Limited for and on behalf of Pubguard Limited.

### 6 Employees and directors

Staff costs, including directors, comprise:

	31 December 2022	31 December 2021
	£	£
Wages and salaries	2,784,454	2,935,479
Redundancy costs	30,000	50,000
Social security costs	303,090	407,939
Share-based payments	1,164,522	160,389
Other benefits	44,969	43,985
	<u>4,327,035</u>	<u>3,597,792</u>

Directors' remuneration is as follows:

	31 December 2022	31 December 2021
	£	£
Wages and salaries	593,333	390,000
Social security costs	81,441	106,951
Share-based payments	620,876	51,137
Post-retirement benefits	5,284	1,751
	<u>1,300,934</u>	<u>549,839</u>

	2022	2021
Average number of employees in the year, including directors	<u>77</u>	<u>71</u>

## Notes to the financial statements (continued)

### 6 Employees and directors (continued)

#### Highest paid Directors

The highest paid director was paid the following:

	31 December 2022 £	31 December 2021 £
Salaries and fees	583,743	150,000
Pension	1,320	879
Total	<u>585,063</u>	<u>150,879</u>

### 7 Taxation

	31 December 2022 £
<b>UK corporation tax</b>	
Current tax on losses for the year	(939,200)
Adjustment in respect of prior periods	<u>(139,936)</u>
Total current tax credit	<u>(1,079,136)</u>
Deferred tax expense	<u>-</u>
<b>Tax expense for the period</b>	<u><u>(1,079,136)</u></u>

#### Reconciliation of effective tax rate

Tax assessed for the year is lower than (2021: lower than) the standard rate corporation tax of 19% (2021: 19%).  
The differences are explained below:

	31 December 2022 £	31 December 2021 £
Loss before tax	(6,775,055)	(7,296,623)
Tax using the UK corporation tax rate of 19% (2021: 19%)	(1,287,260)	(1,386,358)
Unrelieved tax losses and other deductions in the period	-	-
Surrender of tax losses for R&D tax credit refund	1,230,674	1,200,632
Expenses not deductible for tax purposes other than goodwill amortisation and impairment	5,820	34,558
Additional deduction for R&D expenditure	(695,598)	(678,618)
Fixes asset differences	(1,286)	(1,405)
Adjustment for prior period	(139,936)	(744,704)
Remeasurement of deferred tax for changes in tax rates	2	(656,026)
Deferred tax not recognised	747,647	1,487,218
R&D Tax Credits 2022	(939,199)	-
R&D Tax Credits 2021	-	(916,272)
Total tax credit	<u>(1,079,136)</u>	<u>(1,600,975)</u>

## **Notes to the financial statements (continued)**

### **7 Taxation (continued)**

The Company has tax losses of approximately £13,074,524 (2021: £16,990,963) to carry forward against future taxable profits.

No deferred tax asset has been recognised in relation to the trading losses available for offset against future taxable profits.

The Company has not recognised deferred tax asset due to there being insufficient evidence of short-term recoverability.

Research and Development Tax Credits are recognised as receivables when an inflow of economic benefit is certain, until then a contingent asset in respect of probable Corporation Tax is disclosed.

#### **Factors that may affect future tax charges**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 (on 2 February 2022). This included the maintaining of the current corporation tax rate of 19%.

From 1 April 2023, the main rate of corporation tax increased from 19% to 25% and a new 19% small profits rate of corporation tax was introduced for companies whose profits do not exceed £50,000.

## Notes to the financial statements (continued)

### 8 Intangible assets

	Website costs	Trademarks	Development costs	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2021	48,618	1,460	-	50,078
Additions	-	-	-	-
At 31 December 2021	48,618	1,460	-	50,078
<b>Amortisation</b>				
At 1 January 2021	24,574	397	-	24,971
Charge	9,337	146	-	9,483
At 31 December 2021	33,911	543	-	34,454
<b>Cost</b>				
At 1 January 2022	48,618	1,460	-	50,078
Additions	-	-	588,222	588,222
At 31 December 2022	48,618	1,460	588,222	50,078
<b>Amortisation</b>				
At 1 January 2022	33,911	543	-	34,454
Charge	9,337	145	40,331	49,815
At 31 December 2022	43,249	688	40,331	84,268
<b>Net book value</b>				
At 31 December 2022	5,369	772	547,891	554,031
At 31 December 2021	14,707	917	-	15,624

Amortisation and impairment charges on the company's intangible assets are recognised within administrative expenses.



## Notes to the financial statements (continued)

### 9 Property, plant and equipment

	Office equipment £	Computer equipment £	Total £
<b>Cost</b>			
At 1 January 2021	10,203	45,531	55,734
Additions	247	33,338	33,585
At 31 December 2021	10,450	78,869	89,319
<b>Depreciation</b>			
At 1 January 2021	3,519	23,827	27,346
Charge	2,069	18,827	20,896
At 31 December 2021	5,588	42,654	48,242
<b>Cost</b>			
At 1 January 2022	10,450	78,869	89,319
Additions	683	21,883	22,566
At 31 December 2022	11,133	100,752	111,885
<b>Depreciation</b>			
At 1 January 2022	5,588	42,654	48,242
Charge	2,123	20,922	23,045
At 31 December 2022	7,711	63,576	71,287
<b>Net book value</b>			
At 31 December 2022	3,422	37,176	40,598
At 31 December 2021	4,862	36,215	41,077

Depreciation charges on the company's tangible assets are recognised within administrative expenses.

## Notes to the financial statements (continued)

### 10 Trade and other receivables

	31 December 2022 £	31 December 2021 £
Trade receivables	6,685,667	1,348,499
Amounts due from Group undertakings	212,526	59,920
Prepayments and accrued income	1,186,337	133,788
Other receivables	175,437	222,912
Corporation tax	939,199	916,271
	<u>9,199,166</u>	<u>2,681,390</u>

Trade receivables disclosed above are measured at amortised cost. In the current and prior year they fall due within one year. Provision for impairment of trade receivables is valued at £2,066,703 (2021: Nil) in the current year. The above figures are reflected net of the impairment charge. The directors consider the carrying amount of trade and other receivables approximates to their fair value due to their short-term nature.

Included within amounts due from Group undertakings are unsecured, interest free loans, repayable on demand from Bidstack SIA of £195,717 (2021: £59,920) and Bidstack Technologies Ltd of £16,809 (2021: £nil).

In the year ended 31 December 2022, the Company had total impairment losses recognised in administrative expenses in the statement of comprehensive income of £1,250,341 (2021: £4,690). In December 2021, Bidstack entered into an agreement with Azerion to market, promote and resell Bidstack's inventory. A key component of this agreement was Azerion's commitment to a minimum revenue guarantee in 2022. The relationship with Azerion deteriorated towards the end of 2022, resulting in the litigation over the amounts owed Bidstack under the agreement. Bidstack management firmly believes that the company will prevail in the litigation with Azerion and will be awarded the full amount owed, not only for amounts outstanding at year-end of 2022, but also the amounts owed for 2023 and 2024. The outcome of the litigation and the extent of Azerion debtor recoverability is uncertain and therefore management feels that it is prudent, due to the inherent risk involved in any litigation, to take a bad debt provision against the amounts owed by Azerion at year-end 2022. Bidstack's external counsel cannot provide the company with a percentage likelihood of a successful outcome. Consequently, Bidstack management has arrived at 30% as a reasonable % to provide.

### 11 Cash and cash equivalents

	31 December 2022 £	31 December 2021 £
Cash and cash equivalents	<u>261,396</u>	<u>337,687</u>

### 12 Trade and other payables

**Bidstack Limited**  
Registered number 09835625  
Annual Report and Accounts  
For the year ended 31 December 2022

	31 December 2022	31 December 2021
	£	£

Trade payables	5,557,753	381,559
Taxation and social security	95,917	180,262
Other payables	207,737	121,632
Accruals and deferred income	4,996,735	3,581,734
Amounts due to Group undertakings	18,212,168	13,294,313
	<u>29,070,310</u>	<u>17,559,500</u>

The directors consider that the carrying value of trade and other payables approximates to their fair value.

## Notes to the financial statements (continued)

### 13 Investments

	31 December 2022	31 December 2021
	£	£
<i>Cost</i>		
At 1 January	2,614	2,614
At 31 December	<u>2,614</u>	<u>2,614</u>

#### Subsidiary undertakings

The subsidiaries of the company at the year-end are as follows:

Name	Registered office	Proportion of voting rights and ordinary share capital held	Nature of business
<b>Bidstack SIA</b>	Ieriky Iela 35-14, Riga, LV-1084	100%	Technology development

### 14 Share capital and reserves

#### Allotted, called up and fully paid

	No. of Shares	Share capital £	Share premium £
At 1 January 2022	16,914,580	169	1,515,629
<b>As at 31 December 2022</b>	<b>16,914,580</b>	<b>169</b>	<b>1,515,629</b>

All ordinary shares are equally eligible to receive dividends and the repayment of capital and represent equal votes at meetings of shareholders.

#### Reserves

	Retained earnings	Capital contribution reserve £	Capital redemption £
At 1 January 2022	(16,820,962)	824,034	23
Share based payment	-	1,164,522	-
Loss for the year	(5,695,919)	-	-
<b>As at 31 December 2022</b>	<b>(22,516,882)</b>	<b>1,988,556</b>	<b>23</b>

## Notes to the financial statements (continued)

### 14 Share capital and reserves (continued)

The following describes the nature and purpose of each reserve within owner's equity:

**Share capital:** Amount subscribed for shares at nominal value.

**Share premium:** Amount subscribed for share capital in excess of nominal value, less costs of share issue.

**Capital contribution reserve:** The capital contribution reserve comprises the cumulative expense representing the extent to which the vesting period of share options granted by Bidstack PLC to Bidstack Limited employees has passed and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest.

**Capital redemption reserve:** The nominal value of shares that have been repurchased by the Company.

**Subscription reserve:** Represents cash received as a subscription for a specific and imminent share issue but where those shares have not been issued at the period end.

**Retained losses:** Cumulative realised profits less cumulative realised losses and distributions made, attributable to the equity shareholders of the Company.

### 15 Financial Instruments

#### Credit risk and impairment

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure and the Company holds no collateral.

For the Company, the credit risk arises primarily from the following financial instruments:

#### (i) Cash balances held at banks

The risk is mitigated by using only reputable financial institutions with a high credit rating of at least BBB+ and spreading its cash balance across multiple unconnected banks.

#### (ii) Trade receivables.

The Directors recognise that having a focus of revenue within one or few clients represents a clear counterparty concentration of risk and is incentivised to diversify the Company's customer base to mitigate this. Management regularly monitor the credit risk exposure to the Company's largest customers, defined as customers who are expected to contribute over 10% of the Group's revenue to ensure adherence to agreed payment terms. There was one such significant customer in the year ended 31 December 2022 (2021: 5) being Azerion.

The receivables' aging analysis is evaluated on a regular basis for potential doubtful debts, considering historic, current and forward-looking information.

Specific provisions are taken for receivables that management considers to be doubtful. Management calculate specific provision by analysing debtors combined into ageing brackets with a historic loss rate applied. This loss rate takes in account a risk premium based on the estimated impacts of macroeconomic factors. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## Notes to the financial statements (continued)

### 16 Financial Instruments (continued)

#### Liquidity risk

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. However, the Company continues to absorb cash in its operations for the time being and management recognises the risk of insufficient cash and capital to carry on its activities and safeguard the Company's ability to continue as a going concern.

The Directors receives cash flow projections on a regular basis, which are monitored regularly. The Board will not commit to material expenditure in respect of its ongoing development programme prior to being satisfied that sufficient funding is available to the Company to finance the planned programmes. Regular reviews will ensure that further steps will be taken to cut additional overheads if necessary.

### 17 Premises cost commitments

	31 December 2022 £	31 December 2021 £
Within one year	263,500	333,680
More than one year	52,700	-
	<u>316,200</u>	<u>333,680</u>

### 18 Transactions with other related parties

Francesco Petruzzelli, Director, invoiced £38,440 (2021: £16,237) to the Company for reimbursement of expenses for the year. As at 31 December 2022, £Nil (2021: £Nil) was owed to Mr Petruzzelli.

James Draper, Director and Chief Executive Officer, invoiced £Nil to the Company for reimbursement of expenses for the year (2021: £791). As at 31 December 2022, £Nil (2021: £Nil) was owing to Mr Draper.

### 19 Ultimate Controlling Party

The Company is wholly owned by Bidstack Group Plc a company incorporated in England and Wales. Bidstack Group Plc is the ultimate parent entity and is listed on the Alternative Investment Market (AIM) of the London stock exchange.

### 20 Capital commitments

The Company had no capital commitments at the end of the year. (2021: £Nil).