

TIPICO CO. LTD

Annual Report and Financial Statements  
31 December 2023

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## Directors' report

The directors present their report and the financial statements of Tipico Co. Ltd (the "Company") for the year ended 31 December 2023.

### Principal activity

The Company operates a betting office accepting bets from its premises in Malta through its intermediaries, which are situated mainly in Germany, and through the internet. The Company's principal activity remains unchanged from prior year.

### Performance review

In the year ended 31 December 2023, the Company held a sports betting licence renewed lastly on 7 November 2022 from the Malta Gaming Authority. The licence is valid until 6 November 2032. The Company also holds a German sports betting license granted initially on 9 October 2020 and renewed on 9 December 2022. The licence is valid until 31 December 2027. With these licenses, the Company now operates the German sports betting offer through its German license and the Austrian retail offer through its Malta license. (Refer to 'Legal aspects surrounding gaming operations' within this same directors' report).

#### *Key performance indicators*

The Company reported a gross profit of €391,674,923 (2022: €355,791,073). The increase of 10.1% (2022: decrease of 6.4%) is primarily the result of a decrease in direct costs. The decrease in direct costs was caused by a change in the transfer pricing model that was implemented mid-2022 and has now been applied for a full year in 2023. There was also an increase of 7% (2022: decline of 3%) in the number of unique active customers placing bets through direct online channels whilst we have seen no changes (2022: no change) in the number of betting slips coming from retail channels.

After adjusting for administrative expenses and other operating income, the Company has generated an operating profit of €301,920,973 (2022: €267,495,847). In line with the gross profit increase, the operating profit increased by 12.9% over last year. The profit before tax for the year amounted to €305,302,306 (2022: €265,885,802), after considering finance income and finance costs.

As at 31 December 2023, the Company's current liabilities exceeded current assets by €97,472,276 (2022: €94,415,537). In determining the ability of the Company to continue to operate as a going concern, the directors consider the support obtained from the immediate parent company allowing the Company to meet its obligations as and when they fall due. This support is valid for a minimum period of twelve months from when these financial statements were available for issuance.

Additionally, management's assessment of the recoverable amount of the Company's assets, particularly the impairment assessment of its intangibles, investment in subsidiaries, trade receivables and amounts due from payment service providers, took account of performance and payment patterns in 2023. No risk of future impairment was identified.

#### *Financial risk management and exposures*

For financial risks and uncertainties, refer to Note 2 'Financial risk management' that details the key risk factors including market risk (foreign currency risk and price risk), credit risk and liquidity risk and the Company's approach towards managing these risks.

From an operational risk standpoint, refer to the 'Legal aspects surrounding gaming operations' section within this same directors' report.

## Directors' report - continued

### Legal aspects surrounding gaming operations

Tipico's (the "Group") main market is Germany, where Tipico currently generates the vast majority of its revenues from its retail and online sports betting and slots offers. Germany has completed a transition from an unregulated to a fully regulated market. Following sports betting licences having been issued and a so-called transitional regime for the operation of online slots having come in force in October 2020, a new State Treaty on the re-regulation of gambling in Germany (*Staatsvertrag zur Neuregulierung des Glücksspielwesens in Deutschland*, "GlüStV") entered into force on 1 July 2021 and codified the new regulation. The State Treaty 2021 also introduced a new central gambling authority, the Gemeinsame Glücksspielbehörde der Länder ("GGL" or "Authority"), which has assumed the competence for licensing and supervision of gambling, inter alia, of sports betting and online slots, as of 1 January 2023.

After more than a decade of legal uncertainties regarding the regulation of gambling products, the first licenses for Germany-wide sports betting were granted in October 2020, including to Tipico. Thus, Tipico was among the first privately owned companies ever to be licensed in Germany and secured its license to offer sports betting via its retail outlets as well as via the internet to customers located in Germany. The 2020 sports betting licenses were valid until 31 December 2022 and replaced by newly issued licenses that were granted on 9 December 2022. The current sports betting licenses are valid until 31 December 2027.

Following introduction of a licensing regime for online slots with the GlüStV, Tipico was granted online slots licenses on 6 October 2022 and 31 January 2023, valid until 31 October 2027 and 28 February 2028, respectively.

Tipico has implemented the regulatory requirements and restrictions introduced by the new legislation to the extent that these are not subject to legal challenge before the administrative courts. This includes regulatory requirements for the slots offer that were implemented already prior to having been granted the German online slots license. It further includes the deposit limits and restrictions on the sports betting program that were implemented in the course of 2022 to comply with a defined request by the former authority and to fulfil the provisions of a general settlement that was reached in November 2022.

Restrictive interpretations of bonus and advertising rules may have some limitations going forward. We however expect the impact on Tipico's business to be comparably low due to the Group's strong market position in Germany and high level of visibility because of its retail presence.

Tipico reached an agreement with the former authority (to which the GGL acceded) to clarify the admissibility of certain betting types such as live-bets on half-time result and remaining play time via court proceedings and is entitled to offer those betting types for the duration of the proceedings. Since the proceedings will go through several instances, it will likely take several years until clarification is reached. Certain other ancillary conditions of the new sports betting and games licenses have been challenged by Tipico and are subject to administrative proceedings. A potential negative outcome of those proceedings and, thus, further restriction of the permitted betting offer, may impact the attractiveness of Tipico's betting offer, but we would expect such negative impact to be compensated by increased enforcement against operators that do not adhere to the scope of the betting offer.

Following the issuance of the first sports betting licenses in October 2020, the federal states also commenced the licensing process for retail locations. Such shop permits are granted by local authorities in the respective federal states on the basis of secondary legislation, namely the Gambling Acts of the individual federal states implementing the State Treaty 2021 ("*Landesausführungsgesetze*"). Tipico has applied for the necessary permits for own premises and premises operated by its franchise partners and to date 946 licenses have been granted, whereas 107 shops still are in the licensing procedure. Due to restrictive retail legislation in certain states and since the beginning of the licensing process in 2021, Tipico – as expected – had to close certain premises because they were found unsuitable for receiving premises licenses, primarily due to not fulfilling the required minimum distance requirements to certain infrastructure (such as other betting shops, gambling venues or sensitive venues such as schools) or due to not receiving building permits.



## **Directors' report - continued**

### **Legal aspects surrounding gaming operations - continued**

Overall, the business impact of such closures was marginal. Generally, the Group has been able to further expand its market leadership also in the retail sector.

In recent years, players in Germany, supported by litigation funding companies, brought civil claims and continue to bring civil claims against Tipico and other operators seeking the refund of losses based, in particular, on the alleged illegality of the offer prior to the grant of the first licenses from the German regulators. In most cases, the players argue that the unlicensed offer had been illegal and hence the gambling contract between the operator and the player was null and void. In a sports betting refund claim, the Federal Supreme Court has scheduled an oral hearing for 2 May 2024, while at the same time a first instance court has announced that it intends to refer questions to the ECJ with regard to the compatibility of the previous German sports betting regulation with EU law. Tipico takes the view that these refund claims are without merit and is vigorously defending these cases. Accordingly, after applying management's judgement, it is the directors' view that the probability of having a possible outflow of economic resources in relation to Germany player claims arising from sports betting is remote. (Refer to note 3 for further information).

In light of the above, Management fully acknowledges that regulation has had and will continue to have an impact on near term growth, to an increasingly lesser extent though. The resilience of the Group to respond to such regulatory changes has enabled Tipico to record sustained strong performance and underlying growth. With the German market being fully regulated, 100% of the Group's revenue is deriving from regulated markets, which the directors consider will position the Group for future growth and success.

### **Results and dividends**

The financial results are set out on page 11. The directors recommend the payment of a dividend of €198,078,233 (2022: €172,827,235).

### **Directors**

The directors of the Company who held office were:

Joachim Baca  
Marlon van der Goes  
Karin Klein  
Stefan Eck

The Company's Articles of Association do not require any directors to retire.

### **Pledging of shares**

During the year to 31 December 2021, one of the parent companies obtained external funding in the form of third party borrowings which funds were subsequently pushed down to the immediate parent company. The Company's 100,000 issued share capital having a nominal value of €1 each owned by the immediate parent are being pledged to Unicredit Bank AG, acting as the agent on behalf of the third-party lenders, as collateral to cover the long-term borrowing of the parent company that obtained the external funding.

## Directors' report - continued

### Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements that give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining 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, and that comply with the Maltese Companies Act (Cap. 386).

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.

On behalf of the board



Joachim Baca  
Director



Stefan Eck  
Director

Registered office:  
Tipico Tower,  
Vjal Portomaso,  
St. Julians STJ 4011,  
Malta.

26 April 2024



## *Independent auditor's report*

To the Shareholder of Tipico Co. Ltd

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion:

- The financial statements give a true and fair view of the financial position of Tipico Co. Ltd (the "Company") as at 31 December 2023, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU as modified by Article 174 of the Maltese Companies Act (Cap. 386); and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

#### **What we have audited**

Tipico Co. Ltd's financial statements, set out on pages 10 to 33, comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.



## *Independent auditor's report - continued*

To the Shareholder of Tipico Co. Ltd

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### *Other information*

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

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.

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### *Responsibilities of the directors for the financial statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU as modified by Article 174 of the Maltese Companies Act (Cap. 386) and the requirements of the Maltese Companies Act (Cap. 386), 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.

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### *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 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.





## *Independent auditor's report - continued*

To the Shareholder of Tipico Co. Ltd

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## *Report on other legal and regulatory requirements*

The *Annual Report and Financial Statements 2023* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

## Independent auditor's report - continued

To the Shareholder of Tipico Co. Ltd

Area of the <i>Annual Report and Financial Statements 2023</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
<p><b>Directors' report</b> (on pages 1 to 4)</p> <p>The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p>	<p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none"> <li>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</li> <li>the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).</li> </ul> <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>
	<p><b>Other matters on which we are required to report by exception</b></p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.</li> <li>the financial statements are not in agreement with the accounting records and returns.</li> <li>we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.</li> </ul>	<p>We have nothing to report to you in respect of these responsibilities.</p>



## *Independent auditor's report - continued*

To the Shareholder of Tipico Co. Ltd

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### *Other matter – use of this report*

Our report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Ian Curmi  
Principal

*For and on behalf of*  
**PricewaterhouseCoopers**  
78, Mill Street  
Zone 5, Central Business District  
Qormi  
Malta

26 April 2024



## Statement of financial position

		As at 31 December	
	Notes	2023 €	2022 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	4	74,037,979	58,611,763
Property, plant and equipment	5	1,164,096	3,099,502
Investment in subsidiaries	6	40,850,000	40,850,000
Total non-current assets		116,052,075	102,561,265
<b>Current assets</b>			
Trade and other receivables	7	96,734,011	91,834,894
Cash at bank and other intermediaries	8	163,005,731	118,108,432
Total current assets		259,739,742	209,943,326
<b>Total assets</b>		<b>375,791,817</b>	<b>312,504,591</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	9	100,000	100,000
Capital reserves		4,800,000	4,800,000
Retained earnings		-	-
<b>Total equity</b>		<b>4,900,000</b>	<b>4,900,000</b>
<b>Non-current liabilities</b>			
Lease liabilities	5	61,558	1,582,839
Deferred tax liability	10	3,962,186	1,662,889
Other financial liabilities	12	9,656,055	-
Total non-current liabilities		13,679,799	3,245,728
<b>Current liabilities</b>			
Trade and other payables	11	156,522,469	108,236,504
Other financial liabilities	12	2,942,452	-
Lease liabilities	5	1,193,693	1,669,769
Current tax liabilities		196,553,404	194,452,590
Total current liabilities		357,212,018	304,358,863
<b>Total liabilities</b>		<b>370,891,817</b>	<b>307,604,591</b>
<b>Total equity and liabilities</b>		<b>375,791,817</b>	<b>312,504,591</b>

The notes on pages 14 to 33 are an integral part of these financial statements.

The financial statements on pages 10 to 33 were authorised for issue by the Board on 26 April 2024 and were signed on its behalf by:

  
Joachim Baca  
Director

  
Stefan Eck  
Director



## Statement of comprehensive income

		Year ended 31 December	
	Notes	2023 €	2022 €
<b>Net revenue</b>		<b>631,167,959</b>	636,787,293
Direct costs	13	(239,493,036)	(280,996,220)
<b>Gross profit</b>		<b>391,674,923</b>	355,791,073
Administrative expenses	13	(91,052,632)	(90,572,656)
Other operating income	14	1,298,682	2,277,430
<b>Operating profit</b>		<b>301,920,973</b>	267,495,847
Finance income	16	4,556,710	758,976
Finance costs	17	(1,175,377)	(2,369,021)
<b>Profit before tax</b>		<b>305,302,306</b>	265,885,802
Tax expense	18	(107,224,073)	(93,058,567)
<b>Profit for the year - total comprehensive income</b>		<b>198,078,233</b>	172,827,235

The notes on pages 14 to 33 are an integral part of these financial statements.

## Statement of changes in equity

	Note	Share capital €	Capital reserves €	Retained earnings €	Total €
Balance at 1 January 2022		100,000	4,800,000	-	4,900,000
<b>Comprehensive income</b>					
Profit for the year - total comprehensive income		-	-	172,827,235	172,827,235
<b>Transactions with owners</b>					
Dividends	19	-	-	(172,827,235)	(172,827,235)
<b>Balance at 31 December 2022 and 1 January 2023</b>		<b>100,000</b>	<b>4,800,000</b>	<b>-</b>	<b>4,900,000</b>
<b>Comprehensive income</b>					
Profit for the year - total comprehensive income		-	-	198,078,233	198,078,233
<b>Transactions with owners</b>					
Dividends	19	-	-	(198,078,233)	(198,078,233)
<b>Balance at 31 December 2023</b>		<b>100,000</b>	<b>4,800,000</b>	<b>-</b>	<b>4,900,000</b>

The notes on pages 14 to 33 are an integral part of these financial statements.

## Statement of cash flows

		Year ended 31 December	
	Notes	2023 €	2022 €
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	<b>250,421,268</b>	243,434,110
Interest received		<b>47,326</b>	36,696
Interest paid		<b>(1,117,133)</b>	(598,839)
Taxation paid		<b>(102,823,962)</b>	(62,643,604)
Net cash generated from operating activities		<b>146,527,499</b>	180,228,363
<b>Cash flows from investing activities</b>			
Investment in subsidiary undertakings	6	-	(5,300,000)
Purchase of intangible assets	4	<b>(32,169,681)</b>	(31,190,249)
Disposal of intangible assets	4	-	183,425
Purchase of property, plant and equipment		-	(7,987)
Net cash used in investing activities		<b>(32,169,681)</b>	(36,314,811)
<b>Cash flows from financing activities</b>			
Dividends paid		<b>(62,000,000)</b>	(211,000,000)
Principal elements of lease payments	5	<b>(1,756,834)</b>	(1,915,232)
Net cash used in financing activities		<b>(63,756,834)</b>	(212,915,232)
<b>Net movement in cash and cash equivalents</b>		<b>50,600,984</b>	(69,001,680)
<b>Cash and cash equivalents at beginning of year</b>		<b>80,420,689</b>	149,422,369
<b>Cash and cash equivalents at end of year</b>	8	<b>131,021,673</b>	80,420,689

The notes on pages 14 to 33 are an integral part of these financial statements.

Non-cash transactions are disclosed in Note 20.

## Notes to the financial statements

### 1. Summary of material accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1.1 Basis of preparation

##### *(a) Going concern basis of accounting*

The financial statements have been prepared on a going concern basis. As at 31 December 2023, the Company's current liabilities exceeded current assets by €97,472,276 (2022: €94,415,537). In determining the ability of the Company to continue to operate as a going concern, the directors consider the support obtained from the immediate parent company allowing the Company to meet its obligations as and when they fall due. This support is valid for a minimum period of twelve months from when these financial statements were available for issuance.

##### *(b) Compliance with IFRS and with the Maltese Companies Act (Cap. 386)*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as modified by Article 174 of the Maltese Companies Act (Cap. 386) and in accordance with the requirements of the said Act. Tipico Group Limited as the immediate parent company prepared consolidated financial statements in a manner equivalent to that required by the Maltese Companies Act (Cap. 386) and these are delivered to the Malta Business Registry. Accordingly, the Company is exempt from the preparation of consolidated financial statements by virtue of section 174 of the Maltese Companies Act (Cap. 386).

##### *(c) Standards, interpretations, and amendments to published standards effective 1 January 2023*

There are no standards, amendments to standards or interpretations that are effective for annual period beginning on 1 January 2023 that have a material effect on the Company's recognition, measurement, and presentation of items within these financial statements. Disclosures have been impacted as described below.

The IASB amended IAS 1 'Presentation of Financial Statements' to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general-purpose financial statements made on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 'Making Materiality Judgements' to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Consequently, with effect from these financial statements, the Company is disclosing accounting policy information that is material.

##### *(d) Standards, interpretations and amendments to published standards are not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**1. Summary of material accounting policies - continued**

**1.1 Basis of preparation - continued**

*(e) Use of judgements and estimates*

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

*(f) Cost convention and presentation currency*

These financial statements are prepared under the historical cost convention. The financial statements are presented in Euro, which is the Company's functional and presentation currency.

**1.2 Intangible assets**

*(a) Sports betting and internally generated software*

Intangibles comprise sports betting software that is capitalised on the basis of costs incurred to acquire or internally generate and bring to use the specific software. These costs are amortised over their estimated useful lives of four years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

*(b) Licences*

Sports betting licences comprise longer-term licences required for operating in Germany. Sports betting licences are capitalised on the basis of the costs incurred to acquire them. These costs are amortised on a straight-line basis over their respective lifetimes, five years. Gambling licences are recognised on the basis of expected costs to be incurred over the lifetime of the licences (refer to Note 1.9 for further information).

**1.3 Property, plant and equipment**

Property, plant and equipment, comprising computer and office equipment, furniture and fixtures and motor vehicles are initially recorded at cost and are subsequently stated at cost less depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful life as follows:

	%
Computer and office equipment	25
Furniture and fixtures	10 - 16½
Motor vehicles	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its expected recoverable amount (Note 1.4).

**1. Summary of material accounting policies - continued**

**1.4 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**1.5 Financial assets**

*Classification*

The Company classifies its financial assets at amortised cost. The Company does not hold any financial assets that are classified into any of the other IFRS 9 categories of financial assets.

*Recognition and derecognition*

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset at its fair value.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

*Impairment*

The Company assesses on a forward-looking basis the expected credit losses (ECLs). It measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

At each reporting date, the Company measures the loss allowance on amounts receivable at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, on the reporting date, the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-months ECL.

**1.5.1 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks and other intermediaries, net of restricted balances and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **1. Summary of material accounting policies - continued**

### **1.5 Financial assets - continued**

#### **1.5.2 Trade and other receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

#### **1.6 Investment in subsidiaries**

Investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment.

The results of the subsidiary are reflected in the Company's separate financial statements only to the extent of dividends receivable.

#### **1.7 Leases**

The Company leases various offices. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

**1. Summary of material accounting policies – continued**

**1.7 Leases - continued**

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

**1.7.1 Finance leases**

The Company has recognised a finance lease as a result of a subleasing arrangement currently in place with fellow subsidiaries. In determining the nature of the lease and distinguishing between classification of an operating or finance nature, the Company has considered the net present value of the lease payments made as a result of the sublease arrangement in relation to those of the right of use asset that have arisen as a result of the head lease, rather than by reference to the underlying asset itself.

At the commencement date, the Company has recognised assets held under a finance lease as a lease receivable at an amount equal to the net investment in the lease. This includes fixed payments after deducting any lease incentives payable.

Subsequently, the Company recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

**1.8 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**1.9 Financial liabilities**

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities are classified in the following categories: at fair value through profit or loss, financial liabilities measured at amortised cost and other financial liabilities under the IFRIC 1 approach. The fair value of open bets is established by using valuation techniques and with reference to recent transactions.

Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.



## **1. Summary of material accounting policies - continued**

### **1.9 Financial liabilities - continued**

In cases where there are intangible assets, such as gaming licenses, that are valid for over a period of more than one year, and their payments fall due on an annual basis (or any other regular basis), Management has opted to adopt the IFRIC 1 approach. This requires an estimate of the consideration payable over the number of years of the license eligibility and be recognised on initial recognition, both as an intangible asset and as a liability. The intangible asset shall then be amortised over the useful life of the asset whilst the liability is reduced through its periodical repayments. Both asset and liability values shall be revised on an annual basis based on the expected licensable activity generated over the life of the license.

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

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **1.10 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **1.11 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the supply of services in the ordinary course of the Company's activities. Revenue from transactions where the Company is taking positions against players, such as sports betting, is recognised when the outcome of the event is known. Revenue from such gaming transactions is deemed to be financial instruments and is recognised a net fair value gain or loss after the deduction of players' winnings, related bonuses and gaming taxes. This revenue is governed by IFRS 9 and is therefore out of scope of IFRS 15.

**1. Summary of material accounting policies - continued**

**1.11 Revenue recognition - continued**

Gross winnings revenue on sports betting is defined as the net gain or loss from bets placed after the cost of promotional bonuses within the financial period. Where it is not probable that open sports bets at the end of the financial period will be settled, the associated gross winnings revenue is deferred and presented at fair value as deferred income on the balance sheet.

Interest income is recognised in profit or loss for interest bearing instruments as it accrues, on a time-proportion basis using the effective interest method, unless collectability is in doubt.

**1.12 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which an obligation to pay a dividend is established.

**1.13 Capital reserves**

The Capital reserve amounting to €4,800,000 included in the Company's reserves represents a gratuitous contribution which arose due to a restructuring process that took place in previous years whereby the said amount represented the excess of the fair value of assets received.

The above reserve is considered to be a non-distributable reserve and would constitute to be a realised profit as the investment is disposed of.

**2. Financial risk management**

**2.1 Financial risk factors**

The Company's activities potentially expose it to a variety of financial risks principally comprising market risk (including foreign exchange risk and price risk), credit risk and liquidity risk. The parent company's board of directors provides principles for overall risk management. The Company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial year.

**(a) Market risk**

*(i) Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency.

The Company is exposed to foreign exchange risk arising from transactions that are denominated in United States Dollar (USD) and Great British Pound (GBP). The Company did not carry material foreign currency balances as at the end of the reporting period. Accordingly, a sensitivity analysis disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

*(ii) Price risk*

The Company is exposed to market risk due to the possibility of an unfavourable outcome on events on which the Company has accepted bets. The Company has adopted risk management policies to mitigate this risk. Management monitors the odds real time to determine the appropriate risk levels for certain events and where possible reacts to large risks by, inter-alia, not accepting bets that exceed the maximum risk limit on an individual bet or by closing the event that was offered as a bet. The risk is spread across a large number of events and sports. The Company's exposure to open bets that were provided for in accordance with Note 1.9 was not significant as at 31 December 2023 and 2022 and on this basis, management considers the potential impact on profit or loss of a shift in odds that is reasonably possible at the end of the reporting period to be immaterial.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (b) Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade and other receivables (Note 7) and cash and cash equivalents (Note 8). The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount.

For cash and cash equivalents, the Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per Moody's or BBB- or higher per Standard & Poor's or Fitch.

#### *Impairment of financial assets*

The Company's receivables primarily relate to trade receivables, amounts due from payment providers and amounts due from related parties forming part of the Tipico Group (Note 7). For amounts due from related parties, the Company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. At 31 December 2023, the directors consider that related party balances are held with counterparties with a high rating based on the Company's internal rating scale. Management considers the probability of default to be low as the counterparties have a strong capacity to meet their contractual obligations, when also considering the support of the Tipico Group. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Company.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information. On that basis, the loss allowance for trade receivables as at 31 December 2023 and 31 December 2022 was as follows:

	2023 €	2022 €
Opening loss allowance as at 1 January 2023 – calculated under IFRS 9	2,004,414	2,749,200
Decrease in loss allowance recognised in profit or loss during the year	(117,584)	(744,786)
<b>Closing loss allowance as at 31 December 2023</b>	<b>1,886,830</b>	<b>2,004,414</b>

While cash and cash equivalents (Note 8) are also subject to the impairment requirements of IFRS 9, the Company banks only with financial institutions or payment intermediaries with high quality standing or rating and the identified impairment loss was immaterial.

Balances due from payment providers can be withdrawn on demand or at short notice. Accordingly, the directors assess the probability of default taking place immediately after the reporting year. The directors have determined that none of the payment providers have experienced a significant increase in credit risk; as there were no indications at the reporting date that any of the counterparties would be unable to honour their obligations in the very short term, the directors have assessed the allowance for expected credit losses on these balances to be wholly insignificant to the Company.

## **2. Financial risk management - continued**

### **2.1 Financial risk factors - continued**

#### **(c) Liquidity risk**

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables (Note 11), other financial liabilities (Note 12) and current tax liabilities. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Company's obligations.

In determining the ability of the Company to continue to operate as a going concern, the directors consider the support obtained from the immediate parent company allowing the Company to meet its obligations as and when they fall due. This support is valid for a minimum period of twelve months from when these financial statements were available for issuance.

### **2.2 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

The Company's equity, as disclosed on the face in the statement of financial position, constitutes its capital. The Company maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Company's activities and the support of the Group, the capital level as at the end of the reporting period is deemed adequate by the directors.

### **2.3 Fair values of financial instruments**

At 31 December 2023 and 2022, the carrying amounts of cash at bank, receivables, payables, and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

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

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Provisions*

As at 31 December 2023, the Company released all provisions recognised in the previous years relating to sports betting player claims emanating from the Company's activity in Germany (2022: recognised provision of €3,637,200). Based on advice obtained from legal counsel and after applying management's judgement, it is the directors' view that the probability of having a possible outflow of economic resources in relation to Germany player claims arising from sports betting is remote.

Additional judgements are expected from German courts in the coming months. Based on information available at the time of signing these financial statements, the directors have determined that, despite acknowledging the uncertain environment in which the Company operates, no provision or contingent liability is recognised under IAS 37. The directors will persist in reassessing future developments and the impact these may have on the Company.

#### 4. Intangible assets

	Software	Licences	Internally generated software	Total
	€	€	€	€
<b>At 1 January 2022</b>				
Cost	147,574,185	1,052,000	8,814,826	157,441,011
Accumulated amortisation	(99,255,824)	(597,635)	(3,999,051)	(103,852,510)
Net book value	48,318,361	454,365	4,815,775	53,588,501
<b>Year ended 31 December 2022</b>				
Opening net book value	48,318,361	454,365	4,815,775	53,588,501
Additions	25,135,115	2,792,456	3,262,678	31,190,249
Disposals	(200,000)	-	-	(200,000)
Amortisation charge	(23,263,983)	(487,978)	(2,231,601)	(25,983,562)
Amortisation release on disposal	16,575	-	-	16,575
Closing net book value	50,006,068	2,758,843	5,846,852	58,611,763
<b>At 31 December 2022</b>				
Cost	172,509,300	3,844,456	12,077,504	188,431,260
Accumulated amortisation	(122,503,232)	(1,085,613)	(6,230,652)	(129,819,497)
Net book value	<b>50,006,068</b>	<b>2,758,843</b>	<b>5,846,852</b>	<b>58,611,763</b>
<b>Year ended 31 December 2023</b>				
Opening net book value	50,006,068	2,758,843	5,846,852	58,611,763
Additions	28,665,262	14,724,987	3,070,595	46,460,844
Disposals	(586,228)	-	-	(586,228)
Amortisation charge	(24,629,608)	(3,643,111)	(2,761,909)	(31,034,628)
Amortisation release on disposal	586,228	-	-	586,228
Closing net book value	<b>54,041,722</b>	<b>13,840,719</b>	<b>6,155,538</b>	<b>74,037,979</b>
<b>At 31 December 2023</b>				
Cost	200,588,334	18,569,443	15,148,099	234,305,876
Accumulated amortisation	(146,546,612)	(4,728,724)	(8,992,561)	(160,267,897)
Net book value	<b>54,041,722</b>	<b>13,840,719</b>	<b>6,155,538</b>	<b>74,037,979</b>

The amortisation charge is included in administrative expenses.

**5. Property, plant and equipment**

	Buildings €	Computer equipment €	Office equipment €	Furniture & fixtures €	Motor vehicles €	Total €
<b>At 1 January 2022</b>						
Cost	7,196,681	2,808,077	599,832	117,774	31,971	10,754,335
Accumulated depreciation	(3,614,751)	(2,525,028)	(540,340)	(55,833)	(31,971)	(6,767,923)
Net book value	3,581,930	283,049	59,492	61,941	-	3,986,412
<b>Year ended 31 December 2022</b>						
Opening net book value	3,581,930	283,049	59,492	61,941	-	3,986,412
Additions	726,836	-	-	7,987	-	734,823
Disposals	-	(3,400)	-	-	-	(3,400)
Depreciation charge	(1,390,711)	(193,601)	(25,644)	(11,777)	-	(1,621,733)
Depreciation released on disposal	-	3,400	-	-	-	3,400
Closing net book value	2,918,055	89,448	33,848	58,151	-	3,099,502
<b>At 31 December 2022</b>						
Cost	7,923,517	2,804,677	599,832	125,761	31,971	11,485,758
Accumulated depreciation	(5,005,462)	(2,715,229)	(565,984)	(67,610)	(31,971)	(8,386,256)
Net book value	<b>2,918,055</b>	<b>89,448</b>	<b>33,848</b>	<b>58,151</b>	<b>-</b>	<b>3,099,502</b>
<b>Year ended 31 December 2023</b>						
Opening net book value	2,918,055	89,448	33,848	58,151	-	3,099,502
Disposals	(692,396)	-	-	-	(31,971)	(724,367)
Depreciation charge	(1,135,761)	(79,897)	(16,017)	(11,335)	-	(1,243,010)
Depreciation charge released on disposal	-	-	-	-	31,971	31,971
Closing net book value	<b>1,089,898</b>	<b>9,551</b>	<b>17,831</b>	<b>46,816</b>	<b>-</b>	<b>1,164,096</b>
<b>At 31 December 2023</b>						
Cost	7,231,121	2,804,677	599,832	125,761	-	10,761,391
Accumulated depreciation	(6,141,223)	(2,795,126)	(582,001)	(78,945)	-	(9,597,295)
Net book value	<b>1,089,898</b>	<b>9,551</b>	<b>17,831</b>	<b>46,816</b>	<b>-</b>	<b>1,164,096</b>

## 5. Property, plant and equipment - continued

### Leases

This note provides information for leases where the Company is a lessee.

The balance sheet shows the following amounts relating to leases:

	2023 €	2022 €
<b>Right-of-use assets</b>		
Buildings	1,089,898	2,918,055
	2023 €	2022 €
<b>Lease liabilities</b>		
Current	1,193,693	1,669,769
Non-current	61,558	1,582,839
	1,255,251	3,252,608

Additions to the right of use assets during the year amounted to €nil (2022: €726,836).

The statement of profit or loss shows the following amounts relating to leases:

	2023 €	2022 €
<b>Depreciation charge of right-of-use assets</b>		
Buildings	1,135,761	1,390,711
Interest expense (included in finance cost) (Note 17)	105,190	130,721

The total cash outflow for leases amounted to €1,756,834 (2022: €1,915,232).

## 6. Investment in subsidiaries

	2023 €	2022 €
<b>Year ended 31 December</b>		
Opening carrying amount	40,850,000	37,300,000
Additions	-	5,300,000
Disposals	-	(1,750,000)
Closing carrying amount	40,850,000	40,850,000
<b>At 31 December</b>		
Cost and carrying amount	40,850,000	40,850,000



## 6. Investment in subsidiaries - continued

Additions in the year to 31 December 2023 amounted to €nil. In the prior year, additions amounting to €5,300,000 related to capital contributions made towards the Company's direct subsidiaries.

Disposals in the year to 31 December 2023 amounted to €nil (2022: €1,750,000) In the prior year, disposals amounting to €1,750,000 related to the disposal of Tipico Karlsruhe Ltd, Tipico Frankfurt Ltd and Tipico Muenchen Ltd to a related party.

The following subsidiaries were directly held by the Company as at the respective year-ends:

Company	Registered office	Principal activity	Percentage of shares held	
			2023	2022
Tipico Germany Holding GmbH	Amalienbadstraße 41b, 76227 Karlsruhe, Germany	Holding of participations	100%	100%

The following subsidiaries were indirectly held by the Company as at the respective year-ends:

Tipico Retail Services GmbH	An der Raumfabrik 35, 76227 Karlsruhe, Germany.	Provision of marketing support services for the Tipico Group and support services to the intermediaries	100%	100%
Tipico Retail Services GmbH (Branch Austria)	Lugeck 1-2, 1010 Wien, Austria	Provision of marketing support services for the Tipico Group and support services to the intermediaries	100%	100%
Tipico Technology Services GmbH	An der Raumfabrik 33a, 76227 Karlsruhe, HRB 715225, Germany.	Provides software development solutions to the Group	100%	100%
Tipico Shop Agency North GmbH	Nagelsweg 12, 20097 Hamburg, Germany	Provides betting offers to Tipico Co. Ltd as betting intermediary through retail shops in the EU	100%	100%
Tipico Shop Agency East GmbH	Prinzessinnenstr. 8, 10969 Berlin, Germany.	Provides betting offers to Tipico Co. Ltd as betting intermediary through retail shops in the EU	100%	100%
Tipico Shop Agency West GmbH	Hanauer Landstraße 184, 60314 Frankfurt am Main, Germany	Provides betting offers to Tipico Co. Ltd as betting intermediary through retail shops in the EU	100%	100%
Tipico Shop Agency South GmbH	Boschetsrieder, Str. 69, 81379, Munich, Germany	Provides betting offers to Tipico Co. Ltd as betting intermediary through retail shops in the EU	100%	100%
Tipico Shop Agency Austria GmbH	Wiener Strasse 5, 4020 Linz, Austria	Provides betting offers to Tipico Co. Ltd as betting intermediary through retail shops in the EU	100%	100%



**6. Investment in subsidiaries - continued**

Company	Registered office	Principal activity	Percentage of shares held	
			2023	2022
Tipico Shop Agency Vienna GmbH (Austria)	Lugeck 1-2, Stiege 1/Top 7, 1010 Wien, Austria	Operates as a bookmaker in Austria and offers betting services (not yet operational)	100%	100%
Tipico Shop Agency Southwest GmbH	Dieselstraße 18, 80993 München, Germany	Provides betting offers to Tipico Co. Ltd as betting intermediary through retail shops in the EU	100%	0%
Madoxx Sport GmbH	Dieselstraße 18, 80993 München, Germany	Provides betting offers to Tipico Co. Ltd as betting intermediary through retail shops in the EU	100%	0%

**7. Trade and other receivables**

	2023 €	2022 €
<b>Current assets</b>		
Trade receivables - gross	10,897,199	10,769,028
Less: Provision for impairment of trade receivables	(1,886,830)	(2,004,414)
Trade receivables - net	9,010,369	8,764,614
Amounts due from payment providers	11,509,299	10,761,083
Amounts due from immediate parent company	45,904,356	65,422,201
Amounts due from fellow subsidiaries	29,858,197	5,563,546
Other receivables	75,000	75,000
Prepayments and accrued income	376,790	1,248,450
	<b>96,734,011</b>	<b>91,834,894</b>

The amounts due from fellow subsidiaries are unsecured, interest-free and repayable on demand. The loan amounts due from the immediate parent company are subject to a variable interest rate with an average of 6.45% p.a. (2022: 4.1%), with interest being due annually (Note 16) and the principal being repayable on demand.

**8. Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2023 €	2022 €
Cash at bank and other intermediaries	163,005,731	118,108,432
Less: restricted cash	(31,984,058)	(37,687,743)
Cash and cash equivalents	<b>131,021,673</b>	<b>80,420,689</b>

**8. Cash and cash equivalents - continued**

Included in cash at bank are amounts of €31,984,058 (2022: €37,687,743) that are held in a fiduciary capacity and represent customer monies and agency deposits, whose use is restricted in terms of the gaming regulations and/or intermediary contracts.

**9. Share capital**

	2023 €	2022 €
<b>Authorised, issued and fully paid</b>		
100,000 ordinary shares of €1 each	<b>100,000</b>	100,000

**10. Deferred tax liability**

Deferred tax is calculated on all temporary differences under the liability method using the tax rate that is expected to apply to the period when the assets/liabilities are settled, based on the tax rates expected in the tax jurisdictions concerned. The principal tax rate used is 35% (2022: 35%), which is the rate of tax for the Company's profits earned in Malta. The movement in deferred tax balances is analysed as follows:

	Balance at 1 January €	Recognised in profit or loss €	Balance at 31 December €
<b>31 December 2022</b>			
<b>Deferred tax</b>			
Temporary differences on amortisation of intangible assets	(4,740,883)	(207,083)	(4,947,966)
Temporary differences on provisions	4,290,528	(1,682,655)	2,607,873
Other	230,322	446,882	677,204
Net deferred tax liability	(220,033)	(1,442,856)	(1,662,889)
<b>31 December 2023</b>			
<b>Deferred tax</b>			
Temporary differences on amortisation of intangible assets	(4,947,966)	(489,810)	(5,437,776)
Temporary differences on provisions	2,607,873	(1,244,661)	1,363,212
Other	677,204	(564,826)	112,378
Net deferred tax liability	(1,662,889)	(2,299,297)	(3,962,186)

## 11. Trade and other payables

### Current liabilities

	2023 €	2022 €
Trade payables	3,047,288	5,281,044
Players' accounts	29,608,216	34,020,096
Amounts due to immediate parent company	82,295,514	11,938,658
Amounts due to fellow subsidiaries	14,527,897	26,944,579
Gaming and indirect taxes	19,354,548	20,308,212
Accruals and deferred income	7,689,006	9,743,915
	<b>156,522,469</b>	<b>108,236,504</b>

Amounts due to the immediate parent company and fellow subsidiaries are unsecured, interest free and repayable on demand. Support has been obtained from the immediate parent company allowing the Company to meet its obligations as and when they fall due. This support is valid for a minimum period of twelve months from when these financial statements were available for issuance.

## 12. Other financial liabilities

Other financial liabilities refer to liabilities arising in respect of annual payments for gaming licenses in Germany. Management has opted to adopt the IFRIC 1 accounting treatment as disclosed in note 1.9.

## 13. Expenses by nature

### Direct costs

	2023 €	2022 €
Intercompany charges and other direct costs	<b>239,493,036</b>	280,996,220

### Administrative expenses

	2023 €	2022 €
Employee benefit expense (Note 15)	12,636,242	10,785,714
Amortisation and depreciation (Notes 4 and 5)	32,277,638	27,605,293
Payment services and bank charges	37,025,385	43,894,139
Other expenses	9,113,367	8,287,510
<b>Total administrative expenses</b>	<b>91,052,632</b>	<b>90,572,656</b>

**13. Expenses by nature - continued**

Fees charged by the auditor, exclusive of VAT, for services rendered during the financial years ended 31 December 2023 and 2022 relate to the following:

	<b>2023</b> €	2022 €
Annual statutory audit	<b>93,000</b>	88,500

**14. Other operating income**

Other operating income relates to income which is ancillary to the Company's main activity.

**15. Employee benefit expense**

	<b>2023</b> €	2022 €
Wages and salaries	<b>15,076,582</b>	13,460,802
Social security costs	<b>630,255</b>	587,590
Less: employee cost capitalised as part of intangible assets	<b>(3,070,595)</b>	(3,262,678)
	<b>12,636,242</b>	10,785,714

During the year under review, the Company employed, on average, 236 employees (2022: on average, 234 employees).

**16. Finance income**

	<b>2023</b> €	2022 €
Bank interest	<b>55,678</b>	22,805
Lease interest	-	975
Other interest	<b>4,501,032</b>	735,196
	<b>4,556,710</b>	758,976

Amounts included within other interest receivable, amounting to €4,482,155 (2022: €722,398), relate to a loan carried out with the immediate parent company (Note 7), the majority of which was not received as at year end.

**17. Finance costs**

	2023 €	2022 €
Other interest	1,070,187	2,238,300
Lease interest (Note 5)	105,190	130,721
	<b>1,175,377</b>	<b>2,369,021</b>

**18. Tax expense**

	2023 €	2022 €
Current tax charge	104,924,776	91,615,711
Deferred tax charge (Note 10)	2,299,297	1,442,856
Tax expense	<b>107,224,073</b>	<b>93,058,567</b>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2023 €	2022 €
Profit before tax	305,302,306	265,885,802
Tax on profit at 35%	106,855,807	93,060,031
Tax effect of:		
Disallowed expenses	-	3,564
Interest income subject to tax at 15%	(11,136)	(4,467)
Limitation on balancing charge	-	(561)
Effect of prior year deferred tax	379,402	-
Tax charge	<b>107,224,073</b>	<b>93,058,567</b>

**19. Dividends**

	2023 €	2022 €
Gross dividend on ordinary shares	302,994,657	264,439,596
Tax at source	(104,916,424)	(91,612,361)
Net dividend on ordinary shares	<b>198,078,233</b>	<b>172,827,235</b>
Net dividend per share	<b>1,980.78</b>	<b>1,728.27</b>

## 20. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2023 €	2022 €
Operating profit	301,920,973	267,495,847
Adjustments for:		
Amortisation of intangible assets (Note 4)	31,034,628	25,983,562
Depreciation of plant and equipment (Note 5)	1,243,010	1,621,733
Gain on disposal of plant and equipment (Note 5)	-	(5,000)
Movement in provision for impairment of trade and other receivables (Note 7)	(117,584)	(744,786)
Restricted cash (Note 8)	5,703,685	(1,543,548)
Changes in working capital:		
Trade and other receivables	(262,177)	(44,515,742)
Trade and other payables/Other financial liabilities	(89,101,267)	(4,857,956)
Cash generated from operations	250,421,268	243,434,110

Non- cash financing activities during the year related to €54,000,000 of dividends that were agreed to be set off against the amounts due to immediate parent company (Note 19).

## 21. Related party transactions

All companies forming part of the Tipico Group together with its shareholders are considered by the directors to be related parties.

The Company entered into transactions with related parties that include shareholders, directors and their connected parties, and entities that are related by way of common shareholders or directors.

The following transactions were carried out by the Company with related parties:

	2023 €	2022 €
<b>Sale of goods and services</b>		
Commission payable to group undertakings (disclosed within net revenue)	(66,691,118)	(46,294,904)
Rental of premises to related parties (sub-lease)	-	52,250
Sale of tangible and intangible assets from a related party	-	183,425
Support services provided to other related parties	763,812	1,203,446
<b>Purchase of goods and services</b>		
Purchase of tangible and intangible assets from fellow subsidiaries	(28,665,263)	(24,640,205)
Rental of premises from related parties	(1,371,835)	(1,656,222)
Support services provided by other group undertakings	(255,544,532)	(301,306,159)

Dividends due to the parent company have been disclosed in Note 19.

Year-end balances owed by or to the parent company, fellow subsidiaries and other group undertakings arising principally from the above transactions and cash advances, are disclosed in Notes 7 and 11 to these financial statements.

**21. Related party transactions - continued**

The Company entered into a service agreement with a fellow subsidiary. Such agreement enables the Company to procure services from the service providing entity, which in turn charges out the related costs to the Company at an agreed upon price base. These costs have been included within the line-item Support services provided by other related parties. The remuneration is based on the higher of a cost-plus mark-up on direct and indirect costs of the Company (except significant third-party costs incurred) and a fee on the procured volume of direct and indirect costs, which volume has been capped with a minimum and maximum as defined in the agreements between the related parties.

**22. Contingencies**

The Company is facing litigation brought forward by a former franchise partner for an alleged wrongful contract termination and damages of up to €11,500,000 allegedly suffered as a result of such termination. The Company believes the claim to be without merit and is litigating the matter vigorously.

**23. Statutory information**

Tipico Co. Ltd is a limited liability company and is incorporated in Malta. The immediate parent company of Tipico Co. Ltd is Tipico Group Limited, a company registered in Malta, with its registered address at Tipico Tower, Vjal Portomaso, St. Julians, STJ 4011.

The ultimate parent company and ultimate controlling party of Tipico Co. Ltd is CVC Capital Partners VII Limited, general partner of CVC Capital Partners VII (A) L.P., CVC Capital Partners VII Associates L.P. and CVC Capital Partners Investment Europe VII L.P., a limited company governed by the laws of Jersey and having its registered office at 27 Esplanade, St. Helier, Jersey JE1 1SG, Channel Islands, registered with the Jersey Financial Services Commission under number 122497.

