
Annual Report and Financial Statements of Blackbird plc

For the year ended 31 December 2023



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COMPANY INFORMATION

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SB Streater
SJ White
A Bentley
DE Airey
JK Honeycutt
DP Main (resigned 19 June 2023)

SECRETARY: MC Kay

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EC2A 2AP

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**NOMINATED ADVISER
AND BROKER:** Allenby Capital Limited
5 St Helen's Place
London
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CHAIRMAN'S STATEMENT

2023 has been a significant year of investment and transformation for Blackbird:

In last year's Annual Report (and in our public statements prior and subsequently), we stated our plans *... to focus on creating a self-service SaaS platform provided on a public cloud ("Blackbird SaaS") to "...bring on board, product, engineering and marketing talent to enable us to initially address the Prosumer and Pro Teams markets" and to "continue to drive innovation, creating valuable IP in the process"*.

This we have done in 2023. Our new elevate.io SaaS platform commenced early access Q4 of 2023 and will begin general release towards the end of Q1 2024.

Background

Long term followers of Blackbird will already appreciate that our award-winning technology is well recognized within the professional broadcast market for media and entertainment ("M&E"), which has previously been the main focus and drive of our go to market strategy. However, each of our major accounts have often required bespoke integrations which are both time consuming and costly. Combined with the pressures that major broadcasters face with diminishing audience share and reduced advertising or subscription revenues, it has proved a challenging task to grow our share of the M&E services market. As a consequence, we took steps to ensure that, without turning our backs on the M&E market where we still have role to play, we expanded our focus into the significant prosumer/creator market with a standalone product that builds upon the core technology that underpins the Blackbird platform.

The market potential for elevate.io is significant. The total addressable market ("TAM") is enormous and, after almost two years of team building and product development, we start 2024 in a position to capitalise on our capabilities. We will provide unique and much needed solutions to this major market.. Ian outlines our approach and this opportunity in more detail in his Chief Executive's review.

Governance

Over the last year we have made changes to the composition and skill mix of the board to better reflect the requirements of our wider market focus and SaaS product model. To this end, David Main one of our most long serving nonexecutive directors (and former Chairman) stepped down during the year and we undertook an extensive search to secure a suitable replacement. We would like to use this opportunity to thank David for his contribution and diligence over the years and for the unwavering support and constructive input that he has always provided. We will also shortly be saying goodbye to John Honeycutt who has stepped down to concentrate on his growing International client portfolio. We would like to thank him for his sound technical advice and M&E sector knowledge. Yesterday we were pleased to announce the appointment of Anne de Kerckhove as a non-executive director. Anne is an experienced international executive with a background in technology, B2B and B2C SaaS, Media and Entertainment, e-commerce, marketplaces & digital transformation, and helping businesses scale. Anne has a wealth of relevant and valuable experience which will assist us as we roll out and scale elevate.io.

Regarding governance policies, we have recently updated our corporate governance policies in line with renewed guidance from the Quoted Companies Alliance (QCA) which is our adopted corporate governance code. Our updated policy statement is available to view on www.blackbird.video. We have adopted all the updated recommendations, where applicable and going forward will seeki annual reelection to the board for all directors and putting directors' remuneration to an advisory vote. We also follow all QCA recommendations on ESG matters whilst we promote the role that we play in helping other stakeholders in achieving their own ESG targets.

We appreciate that the last couple of years have been a very challenging time for our business and shareholders alike. All of the board are shareholders of Blackbird and we are very mindful of the investment journey that each of us have experienced. On behalf of the board, I would simply like to thank you for your belief and on-going support, particularly as we transition the business in order to realize the full economic potential of our amazing technology which we are working relentlessly to achieve.

Andrew Bentley
Chairman

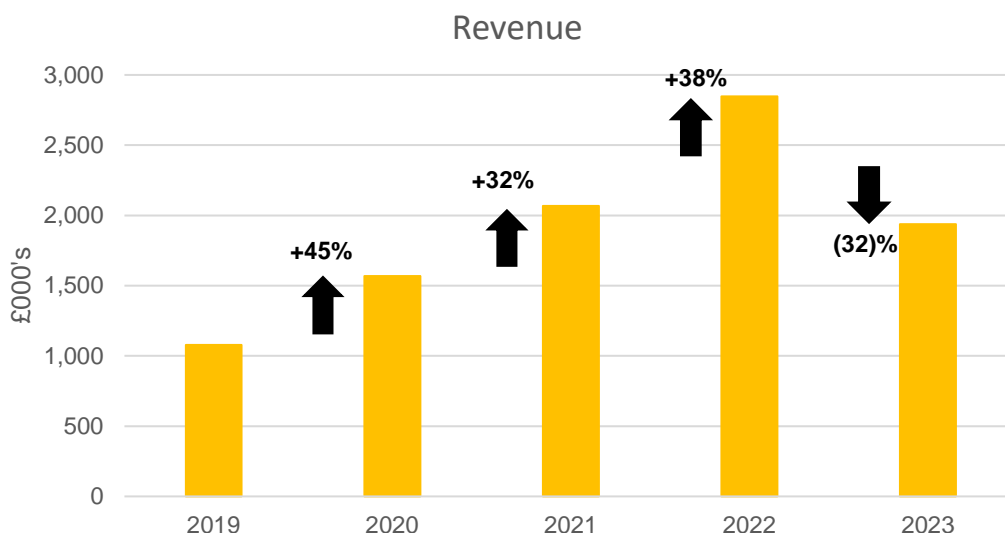
CHIEF EXECUTIVE'S REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2023

2023 was the year of tremendous progress on our direct to creator Blackbird SaaS platform now officially named, elevate.io. During the year we conducted both qualitative and quantitative market research with over 300 people which reinforced our belief that there are three key common problems that creators face in content creation. Namely, that to make a video of quality they currently have to use complex locally installed 'Hollywood' tools, there is clunky third-party collaboration and the existing tools have limited extensibility in terms of third party plug-ins, AI, stock library or effects. Our vision for elevate.io is to address these issues and others via a powerful web-based platform. We believe we are early to market in this area and have the opportunity to capitalise on the paradigm shift to web tools in video for the huge and fast-growing Creator Economy. Strong progress is being made on the development of elevate.io which went into its early access phase in November 2023 and will move to general release at the end of March 2024.

Our strategic vision set out in 2021 to develop a tool set for the creator space has proved prescient as the media and entertainment industries globally suffer badly from both cyclical and structural issues. Flat advertising revenues, industry consolidation and the continuing search for sustainable profits from streaming services are affecting the industry with layoffs rife across the M&E and technology sectors. Meanwhile the creator economy continues to grow strongly with Goldman Sachs predicting a doubling in size from \$250bn to \$500bn by 2027¹.

It's probably no surprise therefore that 2023 was a challenging year for our existing Blackbird platform as the market stagnated and our internal resources were focused on elevate.io. As a result revenue fell by 32% to £1.94 million. Whilst most of the fall is attributable to non-recurring items in 2022, the EVS technology licensing development fees and the fees for the global winter games, we also experienced some deal losses, most notably A+E Networks, which as we announced in May 2023 concluded at the end of June 2023.

This is a highly competitive and exacting space, and some internal decisions were taken about where to deploy developer resource to achieve the highest ROI for the Company. Despite this, Blackbird continues to be used on the pinnacle of Sports and News and was used on the largest sporting tournaments in 2023. During the year the platform was used for the Women's World Cup, the Rugby World Cup, the Ryder Cup, the Superbowl and at all of the tennis majors. Through one of our OEM partners, we also closed a deal for the 2024 summer games where the platform will be used on up to 70 concurrent feeds granting access to our full suite of tools to global broadcasters. In News, through our partnership with Blox Digital, Blackbird continues to provide fast-turnaround content for local US news stations and in early 2024 we had a further expansion of an additional 2 stations to leave us with 69 in total. Through our deal with the US Department of State, the US Secretary of State's press conferences continue to be edited and pushed at speed to social media through our platform. Although challenged in achieving scale, Blackbird's prestigious client base and technological pedigree in global news and sport sets us up very well for scaling elevate.io.



The ongoing challenges to the media and entertainment sector are most evident in our losses of the Gfinity and ODK services which have been pulled from the market. In addition, Deltatre lost key sports contracts and A+E discontinued its close to live action show which both contributed to the reduction in revenues on the Blackbird platform. The post covid return to on premise strategy for the NHL also led to the termination of their contract. None of this is desirable but together with long sales cycles and idiosyncratic workflows and complexity, it is symptomatic of the sector.

As has been seen in the last year the Company will keep a careful eye on the cost base as compared to the opportunity and take action where and when necessary.

¹ <https://www.goldmansachs.com/intelligence/pages/the-creator-economy-could-approach-half-a-trillion-dollars-by-2027.html>

**CHIEF EXECUTIVE'S REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2023**

With regards to tools for Creators there have been some very exciting developments in recent years where companies like Figma and Canva have unlocked huge amounts of value by a combination of simplifying toolsets and taking them natively to the web. It would be easy to think that simple, powerful web video creation tools already exist. However, for videographers using standard Non-linear Editor ("NLE") suites then there are lots of pain points still to iron out.

Currently video production tools are powerful but inflexible such as traditional 'Hollywood' NLE's. Or they are semi-flexible web tools that lack power, usability, and functionality and only suitable for short form video.

The vision behind elevate.io is to bring power and flexibility together. No company has truly cracked video production at scale in the cloud as video has been traditionally very clunky, expensive, and slow to manipulate on the web. The prize on offer for the largest public clouds if this happens is huge amounts of future storage, bandwidth and compute as production moves off premise to cloud workflows.

elevate.io has been architected and built natively in the AWS public cloud as was our vision when I joined the Company. This allows both effectively infinite storage for our customers and most importantly effectively infinite power for complex or compute hungry video creation workflows should this be required in bursts. The fact that we are architected on AWS does not mean we are in any way restricted from working with customers and creators who have content stored in other places or clouds. We will continue to be completely agnostic in this area.

After extensive research, involving more than 300 future prospects, our vision for elevate.io is to make an extensible platform by combining disparate strands of what is currently a 'broken workflow' for videographers in a seamless and slick user experience. Examples of this vision for future functionality would include storage, media management, editing, stock video, third party effects and AI and many others. As investors will be aware this is a dynamic and competitive space and so we will not go too deeply into future product plans.

In addition to making the platform extensible, a key selling point for creators from the outset will be the live multi-player ability. Use cases for this will range from creators being able to work in pairs or teams, supervising producers working with editors remotely, those pro-teams in client-agency relationships getting feedback on changes in real time.

We envisage that a combination of these features will result in both improved efficiency and improved video and storytelling quality which is a virtuous circle for creators and viewers alike.

Additionally, as general access of elevate.io approaches, we have had a number of engaged High Net Worth individuals show interest in investing directly in our story. Together with some existing shareholders we have raised additional funds to assist in the early months of elevate.io's growth. We were delighted to get the support of these individuals and institutions and did this at only a minimal discount.

I am very excited about 2024 and moving elevate.io to general release at the end of Q1. The Creator Economy represents a massive opportunity for the Company to open up our addressable market and, through elevate.io's unique proposition, product market fit and self-service model, we anticipate this accelerating our revenue growth.

Ian McDonough
Chief Executive Officer

**FINANCIAL REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2023**

Financial review

Revenue

In the year ended 31 December 2023, the Company recorded revenues of £1,937k (2022: £2,847k), which represented a decrease of 32% year on year. The majority of the fall relates to two non-recurring items in 2022; firstly, the development fee for the technology licensing fee and secondly revenues earned from the global winter games. However, the Company also lost deals from A+E Networks, Deltatre and NHL during the year, and smaller ones from ODK and Gfinity who shut their services due to them being uneconomical in the tough market conditions.

Operating costs

Operating costs, excluding LTIP provision, during the year to 31 December 2023 were £4,114k compared to £4,510k in the corresponding period in 2022. Operating costs pre-capitalisation and LTIP provision increased to £5,744k from £4,975k. Capitalisation costs increased to £1,631k from £458k mainly due to the increased development work on the elevate.io platform. Restructuring of the Blackbird platform team led to a number of roles leaving the business and resulted in one-off costs of £131k. Going forward this action will lead to annual savings of c.£600k.

Performance measures

The Company has identified certain metrics such as i) Adjusted EBITDA pre LTIP provision and share option costs and ii) cash burn excluding proceeds from share issues and transfers into short-term deposits, which whilst they are non-GAAP metrics, assist in the understanding of business performance. These alternative performance measurements may not be directly comparable with other companies' measures and are not intended to be a substitute for any International Accounting Standards performance measures. The Company believes that Adjusted EBITDA pre LTIP provision and share option costs is the best measure to reflect core operational performance and that cash burn, excluding proceeds from share issues and transfers into short-term deposits, provides the best measure of the cash being utilised by the business until it can be self-generating.

Adjusted EBITDA pre LTIP provision and share option costs

The Adjusted EBITDA pre LTIP provision and share option costs loss increased to a loss of £2,301k (2022: a loss of £1,806k). This was due to lower revenues partially offset by lower operating costs as explained above.

LTIP

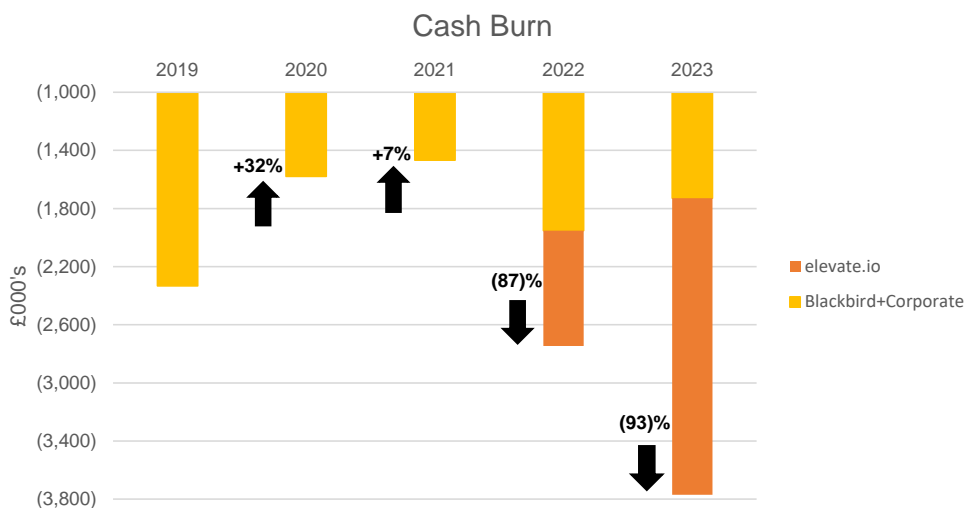
There were no LTIP units issued during the year and consequently there was no charge to the Income Statement in 2023 (2022: £350k credit) and no LTIP provision on the Statement of Financial Position at 31 December 2023 (At 31 December 2022 £nil).

Net loss

The net loss for the year was £2,493k compared to a net loss of £1,917k in 2022 due to a worse Adjusted EBITDA pre LTIP provision as explained above, a £350k LTIP credit to the income statement in 2022 (2023: £nil), partially offset by higher net financial income as a result of higher interest rates.

Cash burn excluding proceeds from share issues and transfers into short-term deposits

During the year the Company's cash burn, excluding proceeds from share issues and transfers into short-term deposits, increased to £3,786k from £2,746k in 2022, primarily as a result of £1,248k additional costs incurred on developing the elevate.io platform.



**FINANCIAL REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2023**

The Company ended the year with a balance sheet including £6,468k of cash and short-term deposits (31 December 2022: £10,099k) and no debt.

Outlook

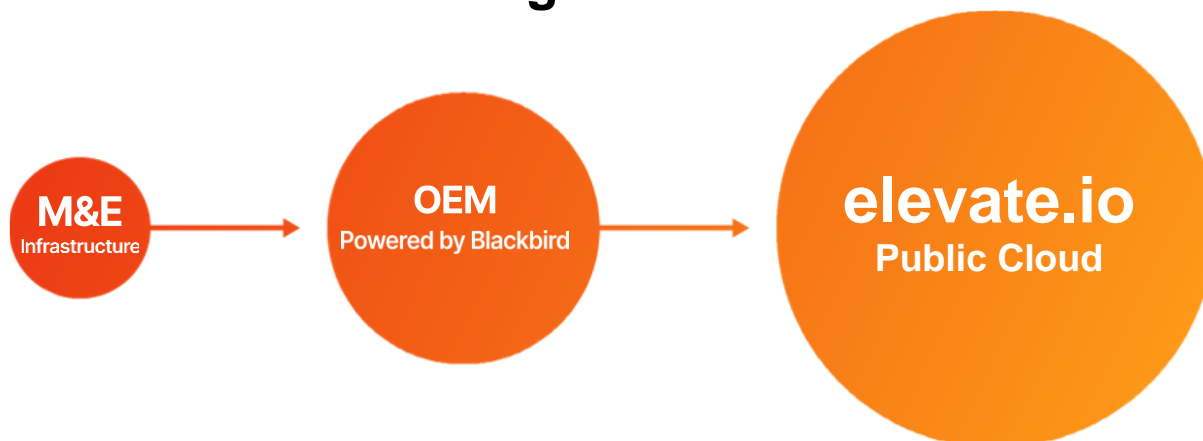
The Company started the year with a contracted but unrecognised revenue balance of £1,770k (2022: £3,426k) down 48% on prior year. The main reasons behind the fall were the loss of the A+E Networks deal and one year less of some of our larger deals. £1,150k of the year-end balance relates to revenue to be recognised in 2024 (2022 comparative: £1,597k revenue to be recognised in 2023). The Company will be showcasing its platform, via its OEM partner, EVS, to multiple Broadcasters at the 2024 global summer games.

We anticipate that elevate.io will be made available for general release at the end of Q1 2024. The intention is to open up our addressable market and accelerate sales growth through elevate.io's self-service model. The board are excited about the prospects for elevate.io and are greatly encouraged by the feedback from early users.

In February 2024 the Company announced a placing to raise approximately £1.0 million (net of expenses) to bring onboard some valuable High Net Worth individuals who wanted to invest directly in our story. The proceeds will be used to bolster our investment in and grow elevate.io.

Stephen White
Chief Operating and Financial Officer

Strategic Direction



The Company made good progress against its strategy during the year and held an investor day on 13th September 2023 to give shareholders an update on its SaaS offering, which it named for the first time as elevate.io. Subsequently in November, the Company announced that elevate.io had gone into early access with a planned release date in early 2024. elevate.io will significantly expand the Company's addressable market in the fast-growing creator economy. In contrast, the Media and Entertainment market, which the Blackbird platform targets, is expected to experience muted top line growth between 2023 to 2027¹, has seen widespread layoffs and faces significant structural changes in the Broadcast sector.

Built using core Blackbird technology, elevate.io aims to address key pain points facing creators today including: complexity of tools; cumbersome collaboration with other users; and limited extensibility. elevate.io has a set of disruptive features uniquely packaged in a browser and designed to solve these tangible problems, including real time multiplayer collaboration. Plug-in architecture will enable elevate.io to be a hub for many 3rd party capabilities, including analytical and generative Artificial Intelligence. Not only will this extend functionality but will also provide additional revenue streams and futureproof the platform enabling elevate.io to keep pace with new innovative technologies through seamless integration. elevate.io has been built natively in the public cloud, through a partnership with AWS and other cloud service providers. With this extensive global cloud infrastructure now integrated into its operations, elevate.io has the ability to scale its operations at speed, globally. For elevate.io's customers, this means consistent high performance, and high availability, regardless of geolocation.

elevate.io will address the wider creator economy valued at approximately \$250 billion² today and set to double in size by 2027. The tools and services segment of this market which applies directly to elevate.io is valued at approximately \$25 billion in 2023 and is estimated to be worth \$180 billion³ by 2032, a CAGR of 25.7%. With existing marquee clients in the high-end media & entertainment sector, the Company is ideally positioned to credibly launch into the creator market. elevate.io will initially target both pro-teams and creators with different price points ranging from a free entry level tier to a professional and enterprise tier.

Steady progress was made on the Blackbird platform during the year in a tough market environment, as explained above. A restructuring of the team was carried out in May 2023 in line with the Company's objective of achieving an EBITDA break even in this division as soon as possible. Our approach continues to focus on key OEM partnerships and infrastructure deals and providing best-in-class customer support to achieve this.

The Company's IP is at the heart of these market opportunities and, following the last fundraising, we have continued to invest in the R&D team whose numbers have risen from 11 at the start of the year of 2022 to 22 at the end of 2023. This team continues to innovate and push boundaries and we look to protect their work through patents and copyright. The Company currently holds 27 patents with a further 2 pending.

A detailed review of the Company's financial performance during the year ended 31 December 2023 and an outlook for the future is provided within the Financial review on page 5 and 6.

¹ PwC <https://www.pwc.com/gx/en/industries/tmt/media/outlook/insights-and-perspectives.html>

² Goldman Sachs <https://www.goldmansachs.com/intelligence/pages/the-creator-economy-could-approach-half-a-trillion-dollars-by-2027.html>

³ <https://market.us/report/digital-content-creation-market/>

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

Going concern

The Company made a loss after tax for the year of £2,493k (2022: loss of £1,917k) and revenue decreased by 30% year on year. The majority of the fall in revenue can be attributed to non-recurring items in 2022, mainly the development fee on the EVS technology licensing and the fees for the global winter games. There were also some deal losses as explained in the Financial Review (See Page 5). The increased loss has resulted from investment in the elevate.io platform ahead of its launch. As explained above, the Board is targeting profitability for the Blackbird platform in the short term and restructuring of this business in 2023 resulted in annual savings of £0.6million going forwards. This leaves a streamlined team who will continue to service and manage our global clients to an excellent standard.

The Company starts the year with deferred revenue and order book of £1,770k (2022: £3,426k), which is down on prior year mainly due to the loss of the A+E Networks deal and a year less in the order book of several large infrastructure deals.

At 31 December 2023 the Company had £6,468k (2022: £10,099k) held in cash and short-term investments and no debt.

The Directors have prepared a budget and longer-term plan for continued growth off a cost base which will continue to be closely managed and support future growth. Whilst cash burn is expected to increase in the short term as we launch elevate.io, the Directors believe the business is operationally capable of meeting its obligations as they fall due and are confident that they have plans in place to ensure the continuity of the business for at least twelve months. In February 2024, the Company announced a placing to raise £1.05 million (pre expenses) to bring onboard some valuable high net worth individuals. The proceeds together with a further £70k subscription committed by the Board, family members and management will be used to bolster our investment in and grow elevate.io.

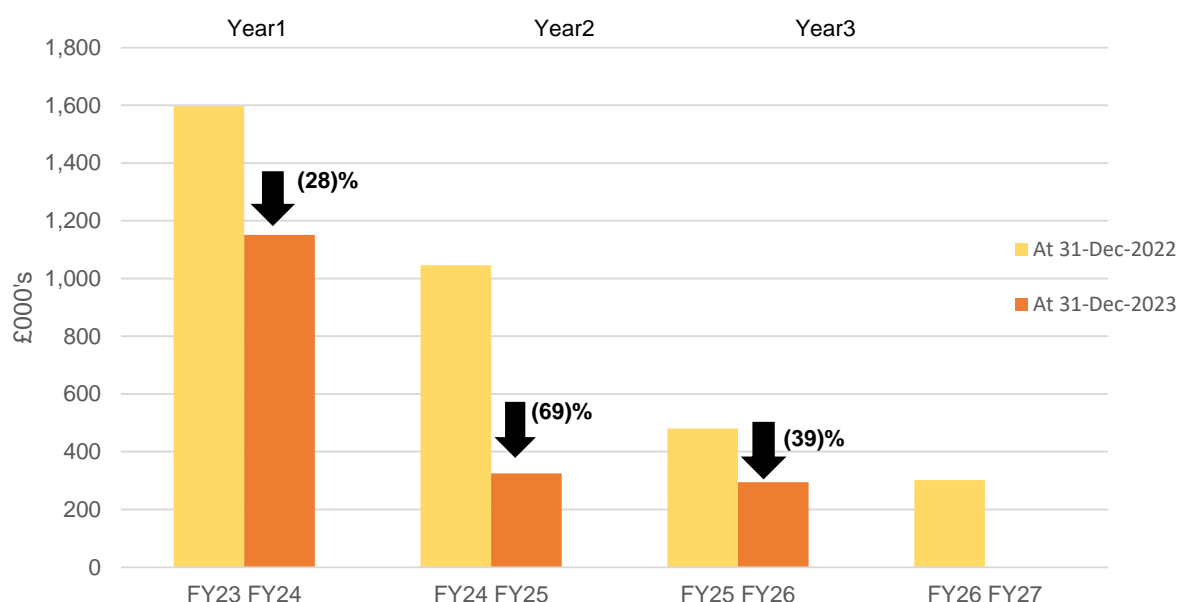
Therefore, the Directors consider the preparation of the financial statements on a going concern basis is appropriate.

Key Performance Indicators

The Board is fully focused on its core strategy to drive revenue growth, whilst also maintaining cost control, to enable the business to become cash flow positive as soon as possible. We do monitor and prioritise our revenue growth by customer type, by geography and by sector. We also focus our attention on improving Adjusted EBIDTA pre LTIP provision and share option costs and the loss for the year. Additionally, the Board uses the following metrics to monitor business performance:

- **Contracted but unrecognised revenue is a key measure of future revenues**
At the end of 2023, contracted but unrecognised revenue was £1,770k (31 December 2022: £3,426k) was down 48% year on year, with £1,151k secured for 2024 (2022 comparative figure: £1,597k). The principal reasons behind the fall compared to 2022 are a loss of deals as explained in the Financial Review section and one year less of many of our large deals

Recognition of the year end contracted but unrecognised revenue



STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

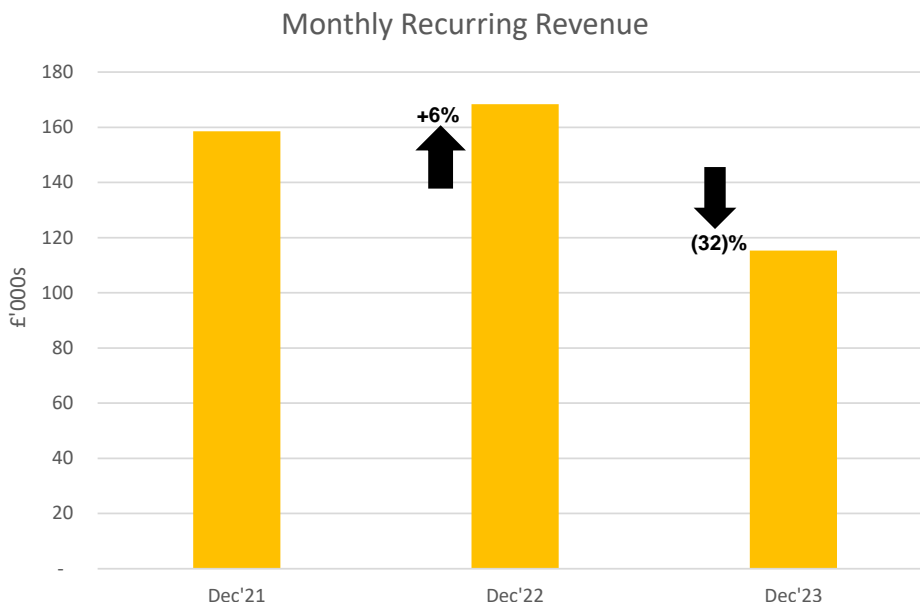
- **Cash burn**

Reaching a positive cash flow position is a core goal for the business. Cash burn is reviewed regularly, and expenditure is tightly controlled and closely monitored. In 2023 cash burn, excluding proceeds from share issues and funds placed on short-term deposits, was £3,786k an increase by 38% compared to (2022: £2,746k). The main reasons behind the increase in cash burn compared to prior year was development of elevate.io and timings of payments from a few large customers (see chart on Page 5). This metric reconciles back to net cash from operating activities as follows:

	2023	2022
Net cash from operating activities	(2,175,340)	(2,373,067)
Payments for intangible fixed assets	(1,706,140)	(267,383)
Payments for property, plant and equipment	(44,096)	(90,226)
Interest received	236,634	82,041
Payment of lease liabilities	(97,529)	(97,169)
Cash burn, excluding proceeds from share issues and transfers into short-term deposits	(3,786,472)	(2,745,805)

- **Monthly recurring revenue (MRR)**

MRR fell by 32% year on year driven by a loss of deals explained in the Financial Review section which were not compensated for by new deals. MRR excludes the annual minimum sales guarantee from EVS on our technology licensing deal (€220k recognised in December 2023).



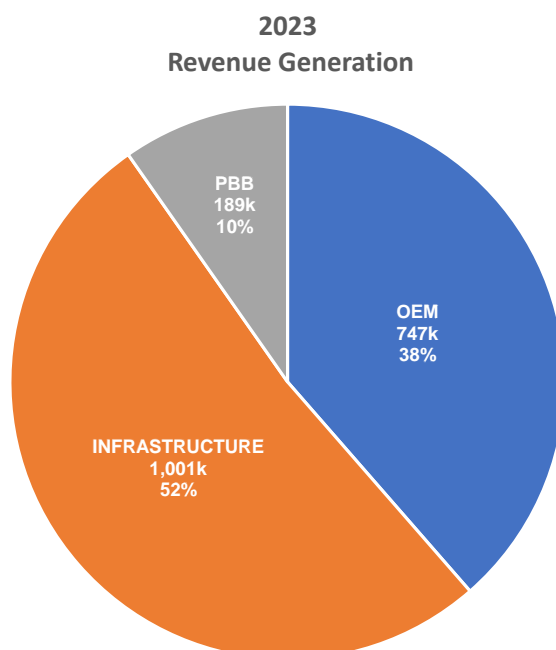
- **Customer retention**

Delivering first-class customer service is key to customer retention. Blackbird has implemented calls with all our customers to gain feedback on the platform, understand their use cases, and assist with expanding Blackbird into new workflows. In 2024 we retained deals with customers who accounted for 81% of OEM and Infrastructure revenue in 2023.

- **Percentage of sales by category**

Our strategy is focused on driving revenue from recurring infrastructure, OEM sales and technology licensing. Revenue was

down in all three sectors year on year. Technology licensing benefited from £454k development fees in 2022 (2023: £nil), Infrastructure was down predominantly from the loss of the A+E Networks and NHL deals, and OEM revenue fell from the loss of a Deltatre deal and non-recurring fees for the winter games in 2022.



PRINCIPAL RISKS AND UNCERTAINTIES

Technology and product risks

Blackbird is a cloud native video-editing platform operating in several market sectors but principally news and sport. The Company's ability to sell its platform is affected by the rate of adoption of cloud services in each sector, our ability to provide the necessary functionality and interoperability and the customer user experience. The Company needs to continue to innovate and develop the platform in order to meet changing customer demands. Blackbird is dependent on third parties, both Open Source and proprietary, to provide appropriate software and licences.

elevate.io aims to open up a wider addressable market for the Company and accelerate sales growth through targeting users in the fast-growing creator economy.

The adoption of cloud-based media services is significant, and the growth continues to accelerate. This is fuelled by the aggressive investment by, and focus of, leading cloud companies including Amazon Web Services, Microsoft Azure and Google Cloud Platform.

The Company's strategic focus allows it to allocate resources on platform developments in the required areas. We regularly review our product development investment focusing resources where we see the greatest return on investment.

There are risks related to new product development activities, in that it may take longer than expected to be market ready, some areas might not be commercially viable and/or the market opportunity for these products may not materialise and there are uncertainties around capabilities from new technologies such as cellular networks and artificial intelligence.

Competitor and market risks

Competitors and new entrants could succeed in producing superior product offerings on a more timely basis or outperform in the marketing and selling of their products, thereby slowing down the adoption of the Company's products. In addition, competitors and new entrants could react to new market opportunities faster than us, which would result in a loss of sales opportunities. The Company continuously monitors its strategy and market focus. We regularly review the activities of existing and emerging competitors and monitor the emergence of new market opportunities. Through effective market monitoring and building deeper knowledge of our

customers and prospective customer needs, we adjust the focus of applications development and commercial activities accordingly.

Going concern

Whilst the Board has developed a strategy and business model to grow the business and is implementing this, variables affecting the business, which are outside the Company's control, could be very different to the assumptions in plans and forecasts leading to slower growth than anticipated and lead to a requirement for additional funding. The Board carefully and regularly monitors cash flow requirements and actively seeks to ensure that appropriate finance is in place to fund operations until the Company produces a positive cash flow and is self-funding.

Organisational risks

As a small company, we have a high proportion of key staff, and the loss of any of these staff would be detrimental to the Company. Creating a productive, respectful working environment, empowering employees, offering career development opportunities and incentivising them with long-term incentive plans are all elements of our staff retention program. We have over time, built a network of organisations that can help the Company to respond to key resourcing challenges effectively.

Security risks

The Company protects itself against cyber-attack by addressing known risks, such as published internet vulnerabilities and by installing patches. Periodically we appoint independent contractors to do penetration tests on our platform and APIs to ensure that our security and systems are robust. The last test was performed and passed in September 2023. The Company continues to maintain its SOC 2 Type II compliance demonstrating its commitment to ensure that it has adequate procedures, processes and controls in place to protect our customers content and data. The last accreditation was awarded in November 2023. The Company reviews its ongoing risk and prepares an annual security plan which focuses resources in the necessary areas. However, there are no guarantees that the Company's platforms would be unassailable to committed cyber-attacks.

Data protection and the General Data Protection Regulation ("GDPR")

We take very seriously the needs of our stakeholders for data protection. We have implemented processes and procedures to ensure that the Company is GDPR compliant. This is a continuing process and a GDPR committee meets monthly to ensure levels of data and video content is controlled, new relationships assessed, and processes are being continually reviewed to protect personal data of all our stakeholders.

Financial instruments

The Company has a normal level of exposure to price, liquidity and cash flow risks arising from trading activities. The Company has no borrowings and reviews its working capital requirements on a regular basis. The Company's financial instruments comprise trade debtors, trade creditors and cash. The Company has not entered into any derivative or other hedging instruments. The Company's practice has been to finance its operations and expansion through the issue of equity share capital. Financial assets comprise cash at the bank and on short-term deposits. The fair value of the financial assets and financial liabilities are not materially different from their carrying values.

The Company is exposed to currency fluctuations on exchange rates for revenue and expenditure generated internationally. The Companies main exposure is in North America and in Europe where it is subject to changes in the pound versus US dollar and Euro exchange rates. Whilst there is some natural hedging between some income and expenditure in these currencies, the Company does not formally hedge against this currency risk since the directors feel that, at current levels of income and expenditure, the risk does not materially affect our working capital position and financial performance. The Company transfers excess US dollars and Euros into sterling as soon as practically possible to minimise any foreign exchange impact. Total foreign exchange gain in the year was £20k (2022: £5k gain).

Capital management

The Board's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders. The Company remains debt free. The Company spreads its cash balances and term deposits amongst a number of financial institutions in order to minimise risk and achieve a reasonable rate of return.

Credit risk

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 obligation. Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. There are two customers

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

that represented more than 10% of revenue in 2023 (2022: two customers). The Company helps mitigate its financial risk by charging annual licence fees in advance where possible. During the year there was no bad debt expense (2022: £nil).

S172 STATEMENT

During 2023, the Board of Directors of Blackbird plc consider that they have acted, in good faith, to promote the success of the company for the benefit of its members, and in doing so have regard (amongst other matters) to factors (a) to (f) of the Act.

Strategy

It is important that our shareholders, be they institutional, private or employees, understand our strategy. We have set out our strategic direction for the core Blackbird platform in previous annual reports and shareholder meetings and also to our employees so that they are all clear about how we intend to scale the business.

Stakeholders and risk management

As part of the QCA Corporate Governance code (see Page 20), we have identified our key stakeholders and actively taken steps to widen our engagement with them. The Company offers engagement with shareholders at results announcement and the AGM and ensures that there is sufficient time for Question & Answer sessions. The Company works with its broker to continue to promote our story in the market, which should increase liquidity, to the benefit of all shareholders. We have set out the principal risks that the Company faces and how, as much as we can, we mitigate them.

Our people

We have fostered a culture of inclusion and diversity with our employees where we embrace a set of values (see <https://www.blackbird.video/careers/>) and created an environment where we listen to and communicate with them regularly.

Our business relationships

We ensure that any potential customer or supplier adheres to our own high ethical standards and sign up to anti-slavery and anti-bribery codes. We welcome feedback from our customers and strive to meet the highest standards of service for them (see customer retention KPI on Page 9). The security of our customers' data and content is of the upmost importance to us and we have designed then put in place a series of procedures and policies to achieve this. Our commitment to attaining the SOC2 Type II accreditation reflects this with the last certification in November 2023.

Environment

Building on the back of the Carbon emissions reports we produced in conjunction with environmental consultancy Green Element in prior years, we have continued to promote the 'green' agenda within the industry. This included presenting and answering questions at the Media Tech Summit's panel in June on the topic of 'Why integrating sustainability makes good business sense'.

ON BEHALF OF THE BOARD:

.....
Stephen White
Chief Operating and Financial Officer
4 March 2024

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023 – continued**

The directors present their report with the financial statements of the Company for the year ended 31 December 2023.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was the commercial exploitation of a cloud native video technology via the Blackbird platform and licensing of the technology to a third party.

The principal risks are highlighted in the Strategic Report on Page 10 to 12.

DIVIDENDS

No dividends will be declared for the year ended 31 December 2023 (2022: £Nil).

EVENTS SINCE THE END OF THE YEAR

There were no significant events to report after the end of the year.

DIRECTORS AND DIRECTORS' INTERESTS

The following directors have held office during the period under review.

I McDonough
S B Streater
S J White
A Bentley
D E Airey
JK Honeycutt
DP Main (resigned 19 June 2023)

The directors who held office during the financial year had the following interests in the shares of the Company according to the register of directors' interests:

	<u>Class of share</u>	<u>Interest at end of year</u>	<u>Interest at start of year</u>
SB Streater	Ordinary shares of 0.8 pence	62,785,000	62,660,000
I McDonough	Ordinary shares of 0.8 pence	10,029,656	9,565,379
SJ White	Ordinary shares of 0.8 pence	543,162	416,735
A Bentley	Ordinary shares of 0.8 pence	350,154	350,154
DP Main	Ordinary shares of 0.8 pence	-	1,162,143
DE Airey	Ordinary shares of 0.8 pence	71,429	71,429
JK Honeycutt	Ordinary shares of 0.8 pence	50,460	50,460

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023 – continued

ARRANGEMENTS TO PURCHASE SHARES

According to the register of directors' interests, any movement in the rights to subscribe for shares in the Company granted to any of the directors or their immediate families are indicated below:

	At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price £	Market price on date of exercise £	Date from which exercisable	Expiry date
SB Streater	250,000				250,000	0.06	-	31/03/2020	30/03/2027
	480,000				480,000	0.0525	-	15/09/2021	14/09/2028
	300,000				300,000	0.0775	-	25/06/2022	24/09/2029
	340,000				340,000	0.16	-	19/12/2022	18/12/2029
	400,000				400,000	0.165	-	07/05/2023	06/05/2030
		200,000			200,000	0.103333	-	15/09/2026	14/09/2033
I McDonough	2,000,000				2,000,000	0.05375	-	15/09/2020	14/09/2027
	0				400,000	0.04	-	19/03/2021	18/03/2028
	400,000				1,180,000	0.0525	-	15/09/2021	14/09/2028
	1,180,000				300,000	0.0775	-	25/06/2022	24/09/2029
	0				1,250,000	0.16	-	19/12/2022	18/12/2029
	300,000	300,000			300,000	0.103333	-	15/09/2026	14/09/2033
SJ White	500,000				500,000	0.0775	-	25/06/2022	24/09/2029
	500,000				500,000	0.16	-	19/12/2022	18/12/2029
	750,000				750,000	0.165	-	07/05/2023	06/05/2030
		200,000			200,000	0.103333	-	15/09/2026	14/09/2033
A Bentley	100,000				100,000	0.05875	-	18/11/2018	17/11/2025
	100,000				100,000	0.085	-	07/06/2019	06/06/2026
	200,000				200,000	0.06	-	31/03/2020	30/03/2027
	120,000				120,000	0.0525	-	15/09/2021	14/09/2028
	120,000				120,000	0.0775	-	25/06/2022	24/09/2029
	120,000				120,000	0.16	-	19/12/2022	18/12/2029
	100,000				100,000	0.165	-	07/05/2023	06/05/2030
	100,000				100,000	0.185	-	09/10/2023	08/10/2030
DE Airey	250,000				250,000	0.0775	-	25/06/2022	24/09/2029
	160,000				160,000	0.16	-	19/12/2022	18/12/2029
	75,000				75,000	0.165	-	07/05/2023	06/05/2030
	75,000				75,000	0.185	-	09/10/2023	08/10/2030
JK Honeycutt	250,000				250,000	0.1854	-	26/06/2023	25/06/2030
	75,000				75,000	0.185	-	09/10/2023	08/10/2030

The market price of the shares at the year-end was 6.0p. The highest closing market price during the year was 14.375p and the lowest closing market price was 5.75p.

DIRECTORS INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance to which the Company was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023 – continued**

SIGNIFICANT SHAREHOLDERS

At the year end the following shareholders held an interest of 3% or more in the Company's ordinary share capital:

62,875,000	17.0%	SB Streater
58,610,116	15.9%	Premier Miton Group plc
28,250,436	7.7%	I McDonough & family
17,966,863	4.9%	Canaccord Genuity Group Inc

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made £nil in charitable donations in the year (2022: £nil).

AUDIT COMMITTEE

The Audit Committee currently comprises Andrew Bentley, with Stephen White currently attending all meetings. The Company has recruited a new Audit Chair, Anne de Kerckhove, who will join on 6 March 2024. In the period since the last Directors' Report it met four times.

The Committee's mandate is to:

- Monitor the integrity of the financial statements of the Company including its annual statutory accounts and interim results.
- Review the accounting policies, treatment of unusual transactions, estimates and judgements, taking into account the views of the external auditors.
- Review and challenge the clarity and completeness of disclosure in the Company's financial reports (both narrative and financial).
- Monitor the adequacy and effectiveness of the Company's internal controls and risk management systems.
- Review and monitor the emerging need for ESG reporting.
- Appraise the content and disclosure within the annual statutory accounts and make recommendations to the Board.
- Oversee the relationship with the external auditors and review their effectiveness, making recommendations to the Board in relation to their appointment, re-appointment or removal and price.
- Communicate to shareholders the extent of the Committee's activities.

Specific actions taken by the Committee since the date of the last Directors' Report include the following:

- A review of the Interim accounts of the Company as at 30 June 2023 and the Annual Report and Statutory Accounts of the Company for the year ended 31 December 2023 giving particular attention to any changes in the year and material items ensuring clear and adequate disclosure in the notes to the accounts in respect of these.
- A review of the development costs' capitalisation and amortisation policies and a post-year end impairment review.
- A review of the disclosures in the Chairman's Statement, Chief Executive's Review and Strategic Report, to ensure that the performance and risks of the Company for the year ended 31 December 2023 are adequately described and reported thereon.
- An assessment of the performance and continuing independence of Moore Kingston Smith LLP as auditors of the Company, approval of the terms of their engagement and their remuneration. Considering all the facts, including that the lead partner changed in 2022, the Committee conclude that the audit continues to be independent, objective and effective and, the Committee recommends that Moore Kingston Smith LLP continue as auditors of the Company for the next financial year. A resolution to reappoint Moore Kingston Smith LLP and give authority to the Directors to determine their remuneration will be submitted to Shareholders at the AGM.
- A review of the findings of the auditors arising out of the audit of the Company for the year ended 31 December 2023. The Committee can report that there were no significant findings arising from the audit which could have given rise to material misstatements and reclassifications and that there were no significant matters concerning the operation of the accounting and control systems brought to the attention of the Committee.

REMUNERATION COMMITTEE

The Remuneration Committee comprise Andrew Bentley and Dawn Airey. It is responsible both for setting salary levels and incentive programs at the senior management level, reviewing and approving material changes to salaries and incentive programs across the Company, and awarding Share Options to all employees of the Company. In the period since the last Directors' Report, it met six times. Specific actions taken by the Committee since the date of the last Directors' Report include the following:

- Approval of grants of share options and LTIP units and process
- Approval of LTIP calculation and payout
- Approval of senior executive pay changes

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023 – continued**

Directors' remuneration is disclosed in Note 3 of the Financial Statements.

The Company generally holds monthly Board meetings except in December. Other Board meetings are held for items such as to authorise results announcements and approve option exercises. A minimum of two Directors are required for a quorum at Board meetings to transact business. Attendance at Board and Committee meetings was as follows:

	Board Meetings	Audit Committee	Remuneration Committee
I McDonough	15		1
S B Streater	18		
S J White	18	4	
A Bentley	11	4	6
D E Airey	8		6
JK Honeycutt	1		
DP Main	3		3

SHARE OPTION AND LONG-TERM INCENTIVE SCHEMES

In the 12 months to 31 December 2023, options over ordinary shares of 0.8p in the Company were granted under the Company's Enterprise Management Incentive Share Option Scheme as follows.

Date granted	No of shares over which options granted	No of Directors, employees, consultants to whom options granted	Exercise price (pence)	Date from which exercisable	Date to which exercisable
15 June 2023	1,625,000	37	6.9167	15 June 2026	14 June 2033
15 September 2023	2,255,000	39	10.3333	15 September 2026	14 September 2033
22 November 2023	75,000	2	7.000	22 November 2026	21 November 2033

On termination of employment, employees and directors lose their share options unless the Board exercises its discretion to allow an employee or director to retain their share options for a discretionary period. Options are granted to individual employees, consultants and directors. Options vest three years after the date of grant on condition that the recipient is still an employee or director of the Company. The Directors are permitted to determine that options which might otherwise lapse may remain exercisable for a period up to ten years from the date of grant. This confers discretion on the Directors to agree extended dates for exercise of options in certain limited circumstances, where the option-holder would otherwise cease to be eligible to exercise the options, if the Directors consider it to be in the best interests of the Company to do so.

The exercise price for the share options issued was the higher of 1) average closing price for the previous three days prior to the date the options were granted or 2) the closing price for the previous day prior to the date the options were granted.

The Company awarded no LTIP units (2022: 941.38 LTIP1 units relating to the first LTIP period) during the year relating to the second period of the Long Term Incentive Plan (LTIP).

No units have been issued for the second LTIP period which runs from 1 January 2022 to 31 December 2024. As previously announced, the hurdle price of LTIP1 and LTIP2 units for the second LTIP period are 28p and 33p respectively.

Full details of the Plan can be found under the investor's section on the Company's website. Note 12 to the accounts on Page 47. provides a summary.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023 – continued**

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

Blackbird recognises the urgent focus on the societal impact of businesses. We believe that the foundation for effective ESG management is robust and transparent governance and integration of these factors into the way we do business. This includes alignment with our overall strategy and embedding relevant ESG matters into our culture, practices and product offering so that we can contribute to a just and clean world in which future generations can flourish.

Environment

Blackbird is committed to conserving natural resources in all that we do – delivering real, tangible environmental benefits to customers and society. The Blackbird cloud solution provides significant benefits versus alternative solutions and, as part of our white paper 'Video shouldn't cost the earth', Blackbird was shown to generate up to 91% less carbon emissions. Blackbird has been recognised for our work in this area, being awarded the London Stock Exchange's Green Economy Mark and, in December 2021, the International Association of Broadcast Manufacturers' (IABM) inaugural 'Environmental Sustainability' award.

• **Technology**

- No new hardware:
Blackbird works in any browser eliminating the need to buy new bespoke editing hardware and enabling easy scaling with limited infrastructure investment. Research showed that Blackbird had up to 75% lower infrastructure costs than competitive solutions
- No packaging:
Our software is available digitally in a browser – eliminating the need to send physically boxed products and associated packaging
- Less travel:
Blackbird is easy to learn with users trained and supported remotely reducing the need to travel and the associated carbon emissions
Blackbird enables remote, collaborative editing in the cloud lessening the need to travel to offices and live events
- Less energy:
The ultra-efficient Blackbird codec enables the publishing and sharing of high-quality video output without the need to upload or download high resolution content resulting in major bandwidth energy efficiencies
Our codec allows for the highly efficient ingress/egress of video content which removes the requirement for energy hungry storage and network infrastructure
With Blackbird there is no need for high performance desktop workstations and no requirement for graphical processing units - saving on power usage for cooling and performance

• **Corporate**

- Staff actively engage in the recycling of paper, cardboard, glass, cans and printer cartridges
- The company operates a tax efficient electric car policy to encourage the use of zero emission vehicles
- The Cycle to Work Scheme - part of the Government's Green Transport Plan - is actively encouraged which enables employees to save on the cost of a bike and accessories
- Employees use online video conferencing platforms for the vast majority of internal and external meetings to minimise their travel footprint

Social

• **Freedom**

By its design, Blackbird gives end users the ability to operate remotely from any location. This facilitates a work-life balance. Additionally as Blackbird is available in a browser and is free of proprietary hardware, it provides a more sustainable solution compared to its competitors.

• **Diversity & inclusion**

- Blackbird is proud to employ staff from different cultures and experiences. We always aim to recruit, develop and retain the most talented people, regardless of their background and make best use of their skills and interests.
- For customers, Blackbird can be used in a much more inclusive way than competitor products. Blackbird is designed to work effectively across a large range of bandwidths, without the need for additional hardware and is accessible from a browser.

• **Career development**

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023 – continued**

- Blackbird is committed to the support of career development for all staff. Our aim is to facilitate personal and professional development enabling employees to achieve their full potential at work.
- **Anti-slavery**
 - Blackbird has a zero-tolerance approach to modern day slavery. We are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery does not take place anywhere in our own business or supply chains.
- **Anti-bribery**
 - Bribery is defined within the Bribery Act 2010 as the giving or receiving of a financial or other advantage in exchange for improperly performing a relevant function or activity. Under no circumstances is the giving, offering, receiving or soliciting of a bribe acceptable and we do not tolerate this in any form across our organisation.
- **Content availability**
 - Blackbird lets you control where your content is stored and who can access it. Our software ensures that you can keep your high-resolution content stored locally or available to authenticated users through the cloud. This involves ease of sharing between individuals.
- **GDPR compliance**
 - Blackbird is committed to ensuring the protection of all personal information that we hold. We fully recognise our obligations to meet the requirements of GDPR.

Governance

Corporate Governance Statement

The Board recognises that good corporate governance creates shareholder value and ensures strong attention to all stakeholder interests. This good corporate governance is a fundamental part of creating sustainable medium to long-term growth performance whilst minimising the risks that the Company faces. To that end, the Board complies with the Quoted Companies Alliance Corporate Governance Code (“**QCA Code**”).

The Board has undertaken a review of its current governance practices with reference to the ten principles of the QCA Code, which was revised in November 2023 and having regard to the size, culture and complexity of the Company has disclosed in its statement on the Company website how it complies with the Code. Where the Company departs from certain aspects of the Code an explanation of the reasons for doing so are also disclosed. We will endeavour to evolve our corporate governance arrangements in line with our growth as a Company. The Statement is updated each year simultaneously with the publication of the Annual Report and Financial Statements.

In accordance with Rule 26 of the AIM Rules the Board has published the Company’s corporate governance statement at www.blackbird.video/aim-rule-26-information/. The Statement was updated on 4 March 2024.

Blackbird has a structure of regular meetings and committees in place to enable strong governance. These are detailed under the ESG policy on its website.

STRATEGIC REPORT

The Company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Company’s strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors’ report. It has done so in respect of its business model and strategy, future developments, key performance indicators and principal risks and uncertainties including reference to financial instruments.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023 – continued

BOARD AND COMMITTEE COMPOSITION

The roles, experience and skills of the Directors and secretary are as follows:

Director	Role	Experience and Skills
Andrew Bentley	Non-Executive Chairman (appointed May 2019) and Member of the Audit Committee and Member of the Remuneration Committee. Responsible for the quality of corporate governance.	Relevant sector experience in technology and media, including in the US market. International executive leadership experience. Focus on the quality of corporate governance, company strategy, business development and building partnerships.
Dawn Airey	Non-Executive Director (appointed May 2019)	Relevant sector experience in media. International executive leadership experience including in the US market. Focus on strategy and business development.
John Honeycutt	Non-Executive Director (appointed June 2020)	Relevant sector experience in Media Technology, an expert in cloud services, supply chain logistics and cyber security. International leadership experience in business strategy and operations, mergers and acquisitions, transformation and large-scale project delivery across all aspects of the media industry
Ian McDonough	Chief Executive Officer (appointed September 2017)	Executive leadership experience in media sector, strong knowledge of international media markets, strong entrepreneurial orientation. Focus on driving growth and corporate value through having the right strategy and supporting execution capabilities.
Stephen Streater	R&D Director (appointed May 2016). Formerly Chairman (from October 2015 to May 2016) and Chief Executive Officer (from floating on AIM to October 2015)	Founder, 30 years specializing in the development of video compression and non-linear editing systems, architect of Blackbird Cloud Video Platform; focuses on R&D and product development strategy and execution. Long experience in public markets.
Stephen White	Chief Operating & Financial Officer (appointed April 2019).	Member of ICAEW, extensive experience in the media sector, business partnering, maximising shareholder return, M&A. Focus on financial management, corporate governance and executing the company's strategic vision.
Martin Kay	Company Secretary since February 2000.	<p>Corporate lawyer and Partner of Blake Morgan LLP, the Company's legal advisers. Martin provides both up-to-date legal and regulatory compliance advice in addition to transactional advice and preparation and review of shareholder communications.</p> <p>As an independent external consultant, the Company Secretary attends all shareholders meetings but does not attend meetings of the board and board committees. The Company's Chief Operating & Financial Officer remains responsible for circulating board and board committee papers and setting meeting agendas in consultation with the board and committee chairs and for induction of officers and staff.</p> <p>Martin reports direct to both Stephen White (Chief Operating & Financial Officer) and Andrew Bentley (Chairman) and provides a link with the Company's Nomad and Broker (Allenby Capital) and Registrars (Link Asset Services).</p>

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023 – continued**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare the financial statements in accordance with International Accounting Standards as adopted by the UK and in accordance with the Companies Act 2006 and have elected to prepare the Company financial statements on the same basis.

Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and cash flows of the Company and the financial performance of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Moore Kingston Smith LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

.....
SJ White
Director
Date: 4 March 2024

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF BLACKBIRD PLC

Opinion

We have audited the financial statements of Blackbird Plc (the Company) for the year ended 31 December 2023 which comprise the Income statement and Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statements of Changes in Equity, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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 as applied to listed entities, 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.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed sufficient and appropriate audit work to be able to express an opinion on the financial statements. The scope of our audit of the Company’s financial statements involved obtaining an understanding of the Company and its environment, including the system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How our scope addressed this matter
<p><i>Revenue recognition</i></p> <p>The company’s accounting policy in respect of revenue recognition is set out on page 32.</p> <p>We critically assessed the risk of material misstatement in the financial statements due to incorrect revenue recognition. The company’s revenue is concentrated in license and usage fees.</p> <p>License and usage fees are recognised over the life of each license on a straight line basis. The key risk of material misstatement is whether the license and usage revenue has been recognised appropriately in accordance with the requirements of IFRS 15 and in the correct accounting period.</p>	<p>We focused our work on those revenue streams that are most susceptible to the risk of material misstatement in the financial statements. Our work was focused on ensuring that revenue was recognised in accordance with the requirements of IFRS 15.</p> <p>Our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> • We reviewed agreements with customers to understand licence and usage performance obligations. • We substantively tested a sample of revenue to licence agreements that provide evidence of licence terms and periods over which service is provided. • We performed a sample of re-calculations to substantively test the cut-off and accuracy of licence revenue streams over the period of the relevant contracts.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BLACKBIRD PLC

	<ul style="list-style-type: none"> We tested license and usage fees to supporting documentation and bank receipts as part of our tests of detail. <p>Overall, based on the procedures performed, we were satisfied that revenue has been recorded appropriately in accordance with the requirements of IFRS 15 and the company's stated accounting policy.</p>
<p><i>Carrying value of intangible assets</i></p> <p>The company's accounting policy in respect of intangible assets is set out on page 34. The company has £2,547,305 (2022: £1,270,331) of intangible assets as at 31 December 2023 of which £2,394,128 (2022: £1,180,331) relates to development costs, £90,000 (2022: £90,000) to licenses and £63,177 (2022: nil) to domains.</p> <p>We determined that there was a significant risk that the carrying value of intangible assets may be greater than its recoverable amount and that the carrying value of intangible assets may therefore be materially misstated.</p>	<p>Our audit work focused on evaluating and critically assessing the Directors' annual impairment assessment of the carrying value of intangible assets and determining whether the requirements of relevant financial reporting standards, including IAS 36, had been met. Our work included, but was not limited to:</p> <ul style="list-style-type: none"> We obtained management's assessment of whether intangible assets were impaired. We obtained board approved budgets and forecasts and critically assessed and challenged the assumptions and estimates in the budget. We critically assessed and challenged the assumptions and estimates in management's impairment assessment. We discussed progress of development with members of the development team to confirm the appropriateness of amounts capitalised in the year, and critically assessed management's assessment of the commercial feasibility of forecast future earnings to ensure that the relevant requirements of IAS 38 regarding capitalisation of development costs had been met. We performed sensitivity analysis over the key assumptions and estimates. <p>Based on the procedures performed, we are satisfied the carrying value of intangible assets is appropriate and supportable when compared to its recoverable amount. The carrying value has been recorded in accordance with the stated accounting policy.</p>

Our application of materiality

The scope and focus of our audit were influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements both individually and on the financial statements as a whole.

Due to the nature of the company and its activities, we concluded that the loss before tax was likely to be the main focus for the users of the financial statements; accordingly, our calculation of materiality used the loss before tax as the relevant benchmark. Based on our professional judgement, we determined overall materiality to be £195,000 based on 7.5% of the loss before tax (2022: £150,000 based on 7.5% of the loss before tax).

On the basis of our risk assessments, together with our assessment of the overall control environment, we use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Our performance materiality was 50% (2022: 50%) of overall materiality, amounting to £97,500 (2022: £75,000).

We agreed to report to the Audit Committee all audit differences in excess of £9,700 (2022: £7,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Conclusions relating to going concern

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BLACKBIRD PLC

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We critically assessed management's approved budget for 2024 and the cash flow forecast for the subsequent period. This included considering whether the cash flow assumptions were consistent with our understanding of the business outlook;
- We evaluated the reasonableness of the assumptions used in these calculations including mitigating actions available to management to manage and control forecast cash burn levels. We also critically assessed the reasonableness of the sales pipeline to obtain evidence of support for the forecast revenues; and
- We performed sensitivity analysis on the budget and cash flow forecast to determine how changes in the assumptions used could impact the overall cash position and the cash burn rate and therefore the company's ability to continue as a going concern;

We observed, based on the work performed as set out above, that the assumptions used by the company in preparing their cash flow forecast and budget were reasonable and that the approach taken in determining forecast revenues as set out above was appropriate. We also concluded after performing the sensitivity analysis referred to above that the changes to the assumptions used did not appear to significantly impact the company's ability to continue in business for at least twelve months from the date of approval of the financial statements.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 20, 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the FRC's website at <https://www.frc.org.uk/auditors/auditor-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor-s-responsibilities-for>

This description forms part of our auditor's report.

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

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

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK adopted international accounting standards, the rules of the Alternative Investment Market, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and error and how it might occur, by holding discussions with management and those charged with governance.
- We designed and performed audit procedures over areas which in our professional judgment are susceptible to the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and error.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BLACKBIRD PLC

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

4 March 2024

**Jeremy Read (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP
Chartered Accountants
Statutory Auditor**

**9 Appold Street
London
EC2A 2AP**

**INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**
Income statement and statement of comprehensive income

	Notes	2023 £	2022 £
CONTINUING OPERATIONS			
Revenue	2	1,937,481	2,847,202
Cost of Sales		(124,918)	(143,149)
GROSS PROFIT		1,812,563	2,704,053
Operating costs excluding LTIP provision		(4,113,851)	(4,509,938)
ADJUSTED EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION, EMPLOYEE SHARE OPTION COSTS AND LTIP PROVISION (ADJUSTED EBITDA Pre LTIP and Share Option Costs)		(2,301,288)	(1,805,885)
LTIP provision decrease		-	350,431
Employee share option costs		(41,309)	(168,981)
LOSS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION (EBITDA)		(2,342,597)	(1,624,435)
Depreciation		(168,111)	(144,677)
Amortisation		(416,691)	(383,330)
		(584,802)	(528,007)
OPERATING LOSS		(2,927,399)	(2,152,442)
Net Finance income	5	325,409	141,414
LOSS BEFORE INCOME TAX		(2,601,990)	(2,011,028)
Income tax	6	108,704	94,178
LOSS FOR THE YEAR		(2,493,286)	(1,916,850)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,493,286)	(1,916,850)
Earnings per share expressed in pence per share:			
Basic – continuing and total operations	7	(0.68p)	(0.52p)
Fully diluted – continuing and total operations		(0.68p)	(0.52p)

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2023**

		2023	2022
	Notes	£	£
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	2,547,305	1,270,231
Property, plant and equipment	9	78,192	202,204
		2,625,497	1,472,435
CURRENT ASSETS			
Trade and other receivables	10	699,829	862,549
Stock		-	662
Current tax assets		108,704	94,178
Short-term investments		2,489,009	4,366,342
Cash and bank balances		3,979,265	5,732,350
		7,276,807	11,056,081
TOTAL ASSETS		9,902,304	12,528,516
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Issued share capital	11	2,947,284	2,941,044
Share premium		34,079,856	34,038,746
Capital contribution reserve		125,000	125,000
Retained deficit		(28,356,751)	(25,904,774)
TOTAL EQUITY		8,795,389	11,200,016
NON-CURRENT LIABILITIES			
Lease and other payables	12,13	-	29,783
CURRENT LIABILITIES			
Trade and other payables	12	1,106,915	1,298,717
TOTAL LIABILITIES		1,106,915	1,328,500
TOTAL EQUITY AND LIABILITIES		9,902,304	12,528,516

The financial statements were approved by the Board of Directors on 4 March 2024 and were signed on its behalf by:

.....
A Bentley – Director

.....
SJ White – Director

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Issued share capital £	Retained deficit £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2022	2,940,524	(24,156,905)	34,034,228	125,000	12,942,847
Changes in equity					
Issue of share capital	520	-	4,518	-	5,038
Share issue expenses	-	-	-	-	-
Share based payment	-	168,981	-	-	168,981
Total comprehensive loss for the year	-	(1,916,850)	-	-	(1,916,850)
Balance at 31 December 2022	2,941,044	(25,904,774)	34,038,746	125,000	11,200,016
Changes in equity					
Issue of share capital	6,240	-	41,110	-	47,350
Share based payment	-	41,309	-	-	41,309
Total comprehensive loss for the year	-	(2,493,286)	-	-	(2,493,286)
Balance at 31 December 2023	2,947,284	(28,356,751)	34,079,856	125,000	8,795,389

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	2023 £	2022 £
Cash flows from operating activities			
Cash used in operations	A	(2,157,629)	(2,194,724)
Interest paid on lease liabilities		(3,185)	(7,692)
Tax received		94,178	32,166
Net cash used in operating activities		(2,066,636)	(2,170,250)
Cash flows from investing activities			
Payments for intangible fixed assets		(1,706,141)	(470,200)
Payments for property, plant and equipment		(44,096)	(90,226)
Transfer into short-term investments		1,877,333	(197,156)
Interest received		236,634	82,041
Net cash used in investing activities		363,730	(675,541)
Cash flows from financing activities			
Share issues (net of expenses)		47,350	5,038
Payment of lease liabilities		(97,529)	(97,169)
Net cash used in financing activities		(50,179)	(92,131)
Decrease in cash and cash equivalents		(1,753,085)	(2,937,924)
Cash and cash equivalents at beginning of year	B	5,732,350	8,670,274
Cash and cash equivalents at end of year	B	3,979,265	5,732,3520

**NOTES TO STATEMENT OF CASH FLOWFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**
A. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH USED IN OPERATIONS

	2023 £	2022 £
Loss before income tax	(2,601,990)	(2,011,028)
Depreciation	168,111	144,677
Amortisation charges	416,691	383,330
Finance income	(325,409)	(141,414)
Loss before interest, taxation, depreciation and amortisation	(2,342,597)	(1,624,435)
Adjustment for LTIP	-	(350,431)
Adjustment for Employee share option costs	41,309	168,981
Movements in working capital:		
Decrease /(Increase)in trade and other receivables	165,300	(372,821)
Decrease in trade and other payables	(21,641)	(16,018)
Cash used in operations	(2,157,629)	(2,194,724)

B. CASH AND CASH EQUIVALENTS

The amounts disclosed in the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these balance sheet amounts:

Year ended 31 December 2023

	31/12/23 £	1/1/23 £
Cash and cash equivalents	3,979,265	5,732,350

Year ended 31 December 2022

	31/12/22 £	1/1/22 £
Cash and cash equivalents	5,732,350	8,670,274

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1. **MATERIAL ACCOUNTING POLICIES**

Company information

Blackbird plc is a public company limited by shares, incorporated in England and Wales. The registered office is Tuition House, 27-37 St George's Road, Wimbledon, London, SW19 4EU.

Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards as adopted by the UK, and in accordance with the Companies Act 2006. These accounts have been prepared under the historical cost convention.

Going concern

The Company made a loss after tax for the year of £2,493k (2022: loss of £1,917k) and revenue decreased by 32% year on year. The majority of the fall in revenue can be attributed to non-recurring items in 2022, mainly the development fee on the EVS technology licensing and the fees for the global winter games. There were also some deal losses as explained in the Financial Review (See Page 5). The increased loss has resulted from investment in the elevate.io platform ahead of its launch. The Board is targeting profitability for the Blackbird platform in the short term and restructuring of this business in 2023 will result in annual cost savings of £0.6million going forwards. This leaves a streamlined team who will continue to service and manage our global clients to an excellent standard.

The Company starts the year with deferred revenue and order book of £1,770k (2022: £3,426k), which is down on prior year mainly due to the loss of the A+E Networks deal and a year less in the order book of several large infrastructure deals.

At 31 December 2023 the Company had £6,468k (2022: £10,099k) held in cash and short-term investments and no debt.

The Directors have prepared a budget and longer-term plan for continued growth off a cost base which will continue to be closely managed and support future growth. Whilst cash burn is expected to increase in the short term as we launch elevate.io, the Directors believe the business is operationally capable of meeting its obligations as they fall due and are confident that they have plans in place to ensure the continuity of the business for at least twelve months.

In February 2024, the Company announced a placing to raise £1.05 million (before expenses) to bring onboard some valuable high net worth individuals who wanted to invest directly in our story. The proceeds together with a further £70k subscription from the Board, family members and management will be used to bolster our investment in and grow elevate.io.

Therefore, the Director's consider the preparation of the financial statements on a going concern basis is appropriate.

New and Revised Standards

IFRS in issue but not applied in the current financial statements

Annual Improvements to IFRS Standards 2018–2020 have been issued and the Company has adopted these Standards and Interpretations.

- IFRS 1 – Subsidiary as a first time adopter
- IFRS 9 – Fees in the '10 per cent' test for derecognition of financial liabilities
- IFRS 16 Leases – Lease incentive
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

The adoption of these Standards listed above has not had a material impact on the financial statements of the Company and the Directors do not anticipate this changing in future periods.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

Revenue recognition

The primary source of revenue is in respect of the sale of Cloud-based professional video editing and publishing software. The product is sold using a software licensing and delivery model in which the software is licensed on a subscription basis. Performance obligations are satisfied over the life of a licence or event or production on a straight-line basis unless hardware or professional services are provided when the performance obligations are fulfilled on delivery.

The Company has also entered into its first technology licensing deal. Development fees are recognised when the work has been completed, any performance obligations have been met and the fees are non-refundable. Minimum guarantees against sales royalties are recognised when they become due and are non-refundable.

For all types of revenue shown in the segmental analysis in Note 2 (page 37) the Company prices these based on agreed contracted fees with customers. These fees are agreed in advance and are based on the type of service being provided.

Income Tax

The company is entitled to claim special tax deductions for qualifying expenditure (i.e. Research and Development Tax Incentive regime in the UK). This is credited against the Income statement in the period to which it relates.

Segmental reporting

The company's products are delivered through an integrated web-based platform and the Board manages the business as a single business segment. In accordance with IFRS 8, information is presented based on the way in which financial information is reported internally to the chief operating decision maker and therefore the directors do not consider it to be meaningful to analyse the loss before tax or the net assets of the company further. Information regarding geographical revenues is disclosed in Note 2 (page 38) to the financial statements. In addition, revenue segments utilised internally have been disclosed distinguishing between target market and revenue type.

Property, plant and equipment

Depreciation is charged using the straight-line method to write off each asset over its estimated useful life.

Leasehold improvements	-	over the remaining lease term
Fixtures and fittings	-	2 years
Computer equipment & software	-	2 years
Client-facing equipment	-	2 years

Property, plant and equipment are stated at purchase cost less accumulated depreciation and any accumulated impairment losses.

Impairment of assets

Assets that have an indefinite life are not subject to amortisation but are instead tested annually for impairment and are subject to additional impairment testing if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A review for indicators of impairment is performed annually. An impairment loss is recognised as 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. Any impairment charge is recognised in the income statement in the year in which it occurs. When an impairment loss subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years.

The value of the development costs and perpetual license which has an indefinite life are tested annually for impairment. At 31 December 2023 no impairment is deemed necessary.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. All the financial assets and liabilities are held at amortised cost. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Cash and cash equivalents

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at, or close to, their carrying values or traded in an active market. Liquid resources comprise term deposits redeemable within 3 months.

Short-term investments

Short-term investments are fixed term deposits or notice accounts redeemable between 90 days and within 12 months.

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. The amounts are unsecured, non-interest bearing and are stated at cost.

Capital contribution reserve

The capital contribution is a distributable reserve which was created prior to the Company's flotation.

Financial liabilities and equity

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

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Finance payments associated with financial liabilities are dealt with as part of interest payable and finance lease repayments. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. 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 does not affect either the accounting or taxable profit or loss. Deferred tax is determined using tax rates which have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred income tax liability is settled.

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

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

Intangible assets

Expenditure on research is written off in the year in which it is incurred.

Development costs are also charged to the income statement in the year of expenditure except when individual projects satisfy the following criteria:

- the project is clearly defined;
- related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs will be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward. Development costs are carried forward in two categories; development of the underlying infrastructure which is amortised over ten years and development of professional products which are amortised over five years. The periods of amortisation for each of the categories has been calculated to reflect the relative speed of change in technology and market anticipated in each of the categories, and to reflect the periods of enhanced economic benefit to the Company as it moves into its growth phase. Amortisation is charged on a straight-line basis, starting from the date at which the product is available for use.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Leases

The Company adopted IFRS16 in a previous reporting period and recognised a right of use asset and lease liability (see Note 9) for the Head Office lease contracted during 2019.

The Company entered into a new 12 month office lease and in accordance with IFRS 16 this is treated as an operating expense.

Share based payments

The share option programme allows employees to acquire shares of the Company. The fair value of equity settled through the options is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Critical accounting judgements and key sources of estimation and uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the Statement of Financial Position date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates have been used principally when determining the probable economic benefits to be derived from development expenditure and therefore whether those costs should be capitalised or whether there is subsequent evidence of impairment.

Carrying value of the intangible assets

The carrying value of the intangible asset of £2,547,305 comprises development costs recognised on the basis described in the accounting policy note above, a perpetual licence and domain costs for elevate.io which were both purchased. The development costs are amortised over the periods of enhanced benefit to the Company as it moves into its growth phase, from when the product is made available for use. The Board have conducted an impairment review with a view to identifying any redundancy and to ensure that the intangible asset is recoverable through the profit and loss account within a reasonable timeframe and is fully amortised by the time there are no future economic benefits expected to arise from its use or disposal.

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

The Board reviewed the working capital model and operating plan containing the Company's forecast revenue, profit and cash flow and assessed the sales pipeline and growth targets and total costs. As a result of this work the Board concluded that no impairment of the asset is required.

2. REVENUE RECOGNITION AND SEGMENTAL REPORTING

The primary source of revenue is in respect of the sale of Cloud native professional video editing software. The product is sold using a software licensing and delivery model in which the software is licensed on a subscription basis. Performance obligations are satisfied over the life of a licence or event or production on a straight-line basis unless hardware or professional services are provided when the performance obligations are fulfilled on delivery.

Licence and usage fees are recognised according to the period that they relate to. Payments for usage fees are normally received within 30 days after the period. Licence fees are normally due within 30 days of the invoice date for the subscription period that they relate to, which is typically a 12-month period. Revenue relating to future periods is booked against deferred income until it falls due at which point it is recognised in the Income statement.

Hardware sales and professional services are recognised on delivery of the goods and services. Payments are typically received in advance and held as deferred revenue until performance obligations are fulfilled.

The Company also generates revenue from licensing its technology under the 'Powered by Blackbird' brand. Revenue is recognised as detailed in the policy on Page 33. Payments are normally received 30 days after they fall due. There are five types of revenue shown in the segmental analysis on page 37.

Contract assets

	2023 £	2022 £
Accrued revenue at 1 January	-	8,189
Invoiced sales released in the year	-	(8,189)
Accrued revenue at 31 December	-	-

The change in the value of contract assets is the result of the contract to which the 2022 accrued income relates being fully invoiced during the year and all other contracts being fully invoiced at 31 December 2023.

Contract liabilities

	2023 £	2022 £
Deferred revenue at 1 January	711,586	575,211
Net (decrease)/ increase in invoiced sales deferred in the year	(141,795)	136,375
Deferred revenue at 31 December	569,791	711,586

The change in the value of contract liabilities is the result of a decrease in invoiced sales for 2023 at 31 December 2023 compared to the prior year comparative. Annual licence fees on direct sales to customers are due upfront and released to the Income statement over the period that they relate to.

The Company has historically operated as a single business unit and reported performance as such in 2022. As the Company prepares to launch its elevate.io platform, it will manage this as a separate business unit. Corporate costs which relate to items such as the Board of Directors, office building, the Company's listing, insurance are now being monitored separately.

Further information is presented in respect of the geographical areas in which the company operates. The operations of each of the Company's geographical areas are separately disclosed because of the different economic environments in which they operate and this information is regularly reviewed by the Chief Financial Officer but do not constitute separate reportable segments under IFRS 8.

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

Revenue represents externally generated amounts (excluding value added tax) derived from the principal activity and has been earned from the following geographic areas:

	2023 £	2022 £
UK	440,191	549,394
North America	1,129,947	1,433,292
Europe	278,949	782,721
Rest of World	88,394	81,795
Total	1,937,481	2,847,202

An analysis of the Company's significant categories of revenue, all of which relate to the Company's sole activity of the commercial exploitation of a Cloud video editing platform, is as follows:

	2023 £	2022 £
News	642,970	645,972
Sport	577,807	824,578
Other Entertainment	518,094	712,028
Other	10,013	54,082
Powered by Blackbird	188,597	610,542
Total	1,937,481	2,847,202

In addition by revenue type:	2023 £	2022 £
Licence and usage fees	1,735,467	2,174,389
Royalties from licensing	156,631	154,528
Hardware	2,100	1,000
Professional services	11,317	61,271
Development Fees	31,966	456,014
Total	1,937,481	2,847,202

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

Reconciliation of information on reportable segments to the amounts reported in the financial statements:

	2023	2023	2023	2023
	Blackbird Platform	elevate.io	Corporate	Total
	£	£	£	£
Revenues	1,937,481	-	-	1,937,481
ADJUSTED EBITDA Pre LTIP and Share Option Costs	(364,857)	(964,632)	(971,799)	(2,301,288)
Loss before tax	(966,300)	(992,486)	(643,204)	(2,601,990)
Total Assets	1,915,323	1,119,775	6,850,758	9,885,856
Total Liabilities	722,550	237,311	147,054	1,106,915
	2022	2022	2022	2022
	Blackbird Platform	elevate.io	Corporate	Total
	£	£	£	£
Revenues	2,847,202	-	-	2,847,202
ADJUSTED EBITDA Pre LTIP and Share Option Costs	(33,740)	(821,725)	(950,421)	(1,805,886)
Loss before tax	(348,255)	(821,725)	(841,050)	(2,011,030)
Total Assets	1,678,795	226,152	10,623,569	12,528,516
Total Liabilities	723,960	-	604,540	1,328,500

3. EMPLOYEES AND DIRECTORS

	2023	2022
	£	£
Wages and salaries	3,624,747	2,693,021
Social security costs	411,610	328,960
Employers pension contributions	86,986	66,239
	<u>4,123,343</u>	<u>3,088,220</u>

After capitalisation in respect of development costs the following amounts were charged directly to the income statement:

	2023	2022
	£	£
Wages and salaries	2,167,430	2,398,928
Social security costs	220,924	296,808
Employers pension contributions	46,885	66,239
	<u>2,435,239</u>	<u>2,761,975</u>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

The average monthly number of full-time equivalent employees during the year was as follows:

	2023	2022
Directors	3	3
Research and development	21	16
Sales	2	4
Product, Operations and Customer support	11	8
Marketing	3	2
Admin and finance	1	1
	<u>41</u>	<u>34</u>

Directors' remuneration and benefits:

	2023 £	2023 £	2023 £	2023 £	2022 £	2022 £	2022 £	2022 £	2022 £
	Remuneration	Pension	Benefits	Total	Remuneration	LTIP	Pension	Benefits	Total
I McDonough	203,000	6,090	2,312	211,402	203,000	46,920	6,090	2,217	258,227
SB Streater	175,000	5,250	2,941	183,191	175,000	17,428	5,250	2,749	200,427
SJ White	140,000	4,200	1,107	145,307	140,000	10,522	4,200	1,074	155,796
DP Main	17,898	-	867	18,765	25,000	-	-	1,450	26,450
A Bentley	45,000	-	1,233	46,233	45,000	-	-	1,080	46,080
DE Airey	20,000	-	-	20,000	20,000	-	-	-	20,000
JK Honeycutt	20,000	-	-	20,000	20,000	-	-	-	20,000
	<u>620,898</u>	<u>15,540</u>	<u>8,460</u>	<u>644,898</u>	<u>628,000</u>	<u>74,870</u>	<u>15,540</u>	<u>8,570</u>	<u>726,980</u>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
4. OPERATING LOSS

The operating loss is stated after (charging)/crediting:

	2023 £	2022 £
Foreign exchange differences	20,414	4,539
Research and development	(1,630,588)	(457,825)
Auditor's remuneration	(41,000)	(35,000)
Auditor's remuneration – non audit – all other services	(29,450)	(28,450)
Earnings before interest, taxation, depreciation and amortisation	(2,342,597)	(1,624,435)
Depreciation – owned assets	(168,111)	(144,677)
Development costs amortisation	(416,691)	(383,330)
Operating loss (before interest and taxation)	(2,927,399)	(2,152,442)

5. NET FINANCE INCOME

	2023 £	2022 £
Finance income: Deposit account interest	328,594	149,106
Finance costs: Interest on lease liability	(3,185)	(7,692)
Net finance income	325,409	141,414

6. INCOME TAX

	2023 £	2022 £
Current tax: Tax credit	108,704	94,178
Total tax credit in income statement	108,704	94,178

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
6. INCOME TAX - Continued
Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2023 £	2022 £
Loss on ordinary activities before tax	(2,601,990)	(2,011,028)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25% (2022 –19%)	(650,497)	(382,095)
Effects of:		
Expenses not deductible for tax	2,297	1,195
Depreciation (in excess of)/lower than capital allowances	(8,633)	(9,748)
Non-trade interest expense	796	1,462
UK Tax losses	614,329	402,124
Additional relief for R&D expenditure	(120,280)	(69,751)
Timing difference on capitalised development costs	(87,342)	(32,030)
Share option exercise	(7,106)	(1,328)
LTIP provision	-	(64,185)
Adjustment for R&D Tax Credit rate	135,575	29,228
Staff Costs Adjustment	12,157	30,950
Total income tax	(108,704)	(94,178)

Tax effects relating to Employee Share Option costs

	2023 £		
	Gross	Tax	Net
Employee share option cost	(41,309)	-	(41,309)

	2022 £		
	Gross	Tax	Net
Employee share option cost	(168,981)	-	(168,981)

UK Tax losses of approximately £27,081,000 (2022: £24,624,000) are available to relieve against future profits of the Company.

	2023 £	2022 £
Unrecognised deferred tax assets		
Tax losses carried forward	6,770,000	6,156,000
	6,770,000	6,156,000

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

6. INCOME TAX - Continued

2023 unrecognised deferred tax asset is calculated at a rate of 25% (2022: 25%) of UK tax losses.

In accordance with IAS 12 the deferred tax assets have not been recognised due to the uncertainty of the timing of future taxable profits to enable recovery of these assets.

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding equity shares held by the company's Employee Share Ownership Plan.

	2023	2022
Loss attributable to equity holders of the company (£)	(2,493,287)	(1,916,850)
Weighted average number of ordinary shares in issue	366,896,821	366,589,903
Basic earnings per share (pence per share)	(0.68p)	(0.52p)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all potential ordinary shares. The company's potential ordinary shares arise from share options. The share options calculation is performed to determine the number of shares that could have been acquired at fair value, based upon the monetary value of the subscription rights attached to the outstanding share options.

	2023	2022
Loss used to determine diluted earnings per share (£)	(2,501,787)	(1,916,850)
Weighted average number of ordinary shares in issue	366,896,821	366,589,903
Share options	26,175,000	27,950,000
Weighted average number of ordinary shares used to determine diluted earnings per share	393,071,821	394,539,903
Diluted earnings per share (pence per share)	(0.64p)	(0.49p)

As can be seen from the above table for both years the potential ordinary shares were anti-dilutive because the company was loss-making. As a result, they are not treated on the face of the Statement of Comprehensive Income as diluting basic earnings per share.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
8. INTANGIBLE ASSETS

	Development costs £	Licences £	Domain £	Totals £
COST				
At 1 January 2023	4,812,613	90,000	-	4,902,613
Additions	1,630,488	-	63,177	1,693,665
At 31 December 2023	6,443,101	90,000	63,177	6,596,278
AMORTISATION				
At 1 January 2023	3,632,282	-	-	3,632,282
Amortisation for year	416,691	-	-	416,691
At 31 December 2023	4,048,973	-	-	4,048,973
NET BOOK VALUE				
At 31 December 2023	2,394,128	90,000	63,177	2,547,305
At 31 December 2022	1,180,331	90,000	-	1,270,331
COST				
	Development costs £	Licences £	Domain £	Totals £
At 1 January 2022	4,354,788	90,000	-	4,444,788
Additions	457,825	-	-	457,825
At 31 December 2022	4,812,613	90,000	-	4,902,613
AMORTISATION				
At 1 January 2022	3,249,052	-	-	3,249,052
Amortisation for year	383,330	-	-	383,330
At 31 December 2022	3,632,282	-	-	3,632,282
NET BOOK VALUE				
At 31 December 2022	1,180,231	90,000	-	1,270,231
At 31 December 2021	1,105,736	90,000	-	1,195,736

The company has purchased a perpetual licence to use a third-party's software on its servers.

The carrying values of the intangibles were assessed for impairment with no impairment deemed necessary (see Page 34).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
9. PROPERTY, PLANT AND EQUIPMENT

COST	Right of use asset £	Leasehold Improvements £	Fixtures and Fittings £	Computer Equipment & Software £	Client-facing IT Equipment £	Totals £
At 1 January 2023	431,988	103,874	78,676	142,204	102,451	859,193
Additions	-	-	4,412	26,587	12,958	43,957
Retirement of assets/Disposal	-	-	(1,125)	(14,871)	-	(15,996)
At 31 December 2023	431,988	103,874	81,963	153,920	115,409	887,154
DEPRECIATION						
At 1 January 2023	318,607	102,765	63,967	95,534	76,117	656,990
Charge for year	86,425	832	14,137	38,738	27,836	167,968
Retirement of assets	-	-	(1,125)	(14,871)	-	(15,996)
At 31 December 2023	405,032	103,597	76,979	119,401	103,952	808,962
NET BOOK VALUE						
At 31 December 2023	26,956	277	4,984	34,519	11,456	78,192
At 31 December 2022	113,382	1,109	14,709	46,670	26,334	202,204
COST	Right of use asset £	Leasehold Improvements £	Fixtures and Fittings £	Computer Equipment & Software £	Client-facing IT Equipment £	Totals £
At 1 January 2022	431,988	103,874	62,175	411,360	297,261	1,306,658
Additions	-	-	16,501	57,776	15,949	90,226
Retirement of assets	-	-	-	(326,932)	(210,759)	(537,691)
At 31 December 2022	431,988	103,874	78,676	142,204	102,451	859,193
DEPRECIATION						
At 1 January 2022	232,209	101,933	62,176	399,754	253,932	1,050,004
Charge for year	86,398	832	1,791	22,712	32,945	144,678
Retirement of assets	-	-	-	(326,932)	(210,759)	(537,691)
At 31 December 2022	318,607	102,765	63,967	95,534	76,118	656,991
NET BOOK VALUE						
At 31 December 2022	113,382	1,109	14,709	46,670	26,334	202,204
At 31 December 2021	199,779	1,941	-	11,606	43,329	256,655

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
9. PROPERTY, PLANT AND EQUIPMENT - Continued
Office Building

During 2019 the Company entered into a non-cancellable lease for a period of five years with an option to break after three years. The Company has taken up the final two years of the lease. The Company recognised a right-of-use asset and a lease liability of £431,988 at the lease commencement date. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method over the five-year lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted at an estimate of the Company's incremental borrowing rate.

New Office

In December 2023, the Company entered into 12 months non-cancellable 12 months lease agreement starting 1st of April 2024. This will lead to an operating lease liability for 2024 of £53,600 and £20,100 for 2025.

10. TRADE AND OTHER RECEIVABLES

Current:	2023 £	2022 £
Trade debtors	379,289	561,050
Less: provision for doubtful receivables	-	-
Trade debtors net of provision for doubtful receivables	379,289	561,050
Other debtors	68,151	94,852
Accrued income	164,569	80,553
Prepayments	87,820	126,094
	699,829	862,549

Included in other debtors is a rental deposit of £19,175 (2022: £19,175) which is subject to a charge.

The average credit period on trade sales is 46 days. Standard credit terms are 30 days but vary by individual contract. Included within trade debtors are balances totalling £379,289 (2022: £561,050) which are beyond agreed credit terms but are not subject to impairment. Cash of £379,053 from trade debtors at 31 December 2023 has been received post year end.

11. CALLED UP SHARE CAPITAL

Called up and fully paid:	2023 £	2022 £
Called up and fully paid	2,947,284	2,941,044

At 31 December 2023, the company had 368,410,521 ordinary shares (31 December 2022: 367,630,521) of 0.8p each.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
11. CALLED UP SHARE CAPITAL – Continued

During the year the Company issued 3,955,000 (2022 – 2,665,000) share options under the terms of the share option schemes. The total share options outstanding as at 31 December 2023 was 26,015,000 (2022: 27,950,000).

The directors who held office during the year held the following options to subscribe for shares in the Company:

	Class of share	31/12/2023	31/12/2022
SB Streater	Ordinary shares of 0.8 pence	1,970,000	1,770,000
I McDonough	Ordinary shares of 0.8 pence	5,430,000	5,130,000
SJ White	Ordinary shares of 0.8 pence	1,950,000	1,750,000
A Bentley	Ordinary shares of 0.8 pence	960,000	960,000
DP Main (resigned, 19 June 2023)	Ordinary shares of 0.8 pence	1,565,000	1,565,000
DE Airey	Ordinary shares of 0.8 pence	560,000	560,000
JK Honeycutt	Ordinary shares of 0.8 pence	325,000	325,000

12. TRADE AND OTHER PAYABLES

	2023 £	2022 £
Current:		
Trade creditors	45,144	64,869
Social security and other taxes	145,356	135,885
Lease Liability	29,225	93,786
Licence Liability	-	12,375
Other creditors	7,362	41,238
Deferred income	569,791	711,585
Accruals	310,037	238,980
	1,106,915	1,298,718
Non-Current:		
Lease liability	-	29,783
	-	29,783

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

12. TRADE AND OTHER PAYABLES – Continued
LTIP Provision

The Company put a Long Term Incentive Plan (LTIP) in place during 2019 which was approved at the 2019 AGM. Details of the scheme can be found under the Investors section on the Company's website. Under the scheme, a maximum of 5,000 LTIP1 units and 5,000 LTIP2 units can be issued during an LTIP period.

Each LTIP unit has the right to receive the value from its respective LTIP pool divided by 5,000.

The value of each LTIP pool is calculated 30 days after the date of the announcement of the Company's full year audited results for its Financial Year ending at the LTIP period end date. The value is equal to 5% of the total increase in the Company value above the hurdle value applicable to that pool.

The Company value is calculated by taking the Share Price multiplied by the number of Shares in issue on a fully diluted basis (as if all outstanding vested options had been exercised) at the applicable calculation date.

The hurdle value for each LTIP pool is the hurdle price multiplied by the number of Company shares in issue on a fully diluted basis at the applicable calculation date. The hurdle price for each LTIP1 unit was 28 pence per share and for each LTIP2 unit was 33 pence per share for the second LTIP period which runs from 1 January 2022 to 31 December 2024.

No awards have been made for the second LTIP period (2022: 941.38 LTIP1 units relating to the first LTIP period were issued). Accordingly, there was no charge to the income statement in the period (2022: £350k credit) and the value of the LTIP provision at 31 December 2023 is £nil (31 December 2022 £nil).

13. LEASING AGREEMENTS

Minimum lease payments under non-cancellable leases fall due as follows:

	2023 £	2022 £
In the next 12 months	89,525	93,786
<u>Between one and five years</u>	<u>20,100</u>	<u>29,783</u>

Details of the current Head Office building lease can be found in Note 9.

14. FINANCIAL ASSETS AND LIABILITIES

The Company's financial assets and liabilities comprise trade debtors, trade creditors, cash, liquid assets and short-term investments.

The Company has not entered into any derivative or other hedging instruments.

The Company's policy is to finance its operation and expansion through the issue of equity share capital.

Financial assets comprise cash at bank and in hand. The fair value of the financial assets and financial liabilities are not materially different from their carrying values.

All of the financial assets and liabilities are held at amortised cost therefore detailed analysis is not required.

Further details of the Board's assessment of its risks are included in the strategic report on pages 12 to 13.

15. RELATED PARTY DISCLOSURES

Fees amounting to £374 (2022: £840) were paid to the wife of Ian McDonough for photography services.

Premier Miton Group plc ("Premier Miton"), a substantial shareholder, participated in the placing of new ordinary shares that was announced on 29 February 2024. Premier Miton subscribed for 4,166,666 new ordinary shares at a price of 6p per new ordinary share.

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
16. ULTIMATE CONTROLLING PARTY

At 31 December 2023 there was no ultimate controlling party of the Company.

17. SHARE-BASED PAYMENT TRANSACTIONS

The Company believes that share ownership by executive directors and key staff strengthens the link between their personal interests and those of the shareholders. Since 2012 it has operated an Enterprise Management Incentive (EMI) share option scheme under which both tax advantaged and non-tax advantaged options have been granted. For all options, the exercise price is the market value of the share at the date of the grant. Options are granted to individual employees and directors. Options vest three years after the date of grant on condition that the recipient is still an employee or director of the Company. The Directors are permitted to determine that options which might otherwise lapse may remain exercisable for a period up to 10 years from the date of grant. This confers discretion on the Directors to agree extended dates for exercise of options in certain limited circumstances, where the option-holder would otherwise cease to be eligible to exercise the options, if the Directors consider it to be in the best interests of the Company to do so. Options are exercisable within seven years of vesting. All options are equity settled.

Exercise price (£)	Date granted	Range of dates exercisable	Number of shares for which rights are exercisable at	
			31/12/2023	31/12/2022
EMI				
0.275	25/04/2013	25/04/2016-24/04/2023	-	325,000
0.255	25/07/2013	25/07/2016-24/07/2023	-	1,025,000
0.215	25/04/2014	25/04/2017-24/04/2024	650,000	650,000
0.19	23/09/2014	23/09/2017-22/09/2024	435,000	510,000
0.0825	11/05/2015	11/05/2018-10/05/2025	100,000	150,000
0.05875	18/11/2015	18/11/2018-17/11/2025	400,000	425,000
0.085	07/06/2016	07/06/2019-06/06/2026	600,000	630,000
0.06	31/03/2017	31/03/2020-30/03/2027	1,650,000	1,750,000
0.05375	15/09/2017	15/09/2020-14/09/2027	2,000,000	2,000,000
0.04	19/03/2018	19/03/2021-18/03/2028	1,225,000	1,425,000
0.0525	15/09/2018	15/09/2021-14/09/2028	2,660,000	2,970,000
0.0593	31/10/2018	31/10/2021-30/10/2028	100,000	600,000
0.0775	25/06/2019	25/06/2022-24/06/2029	2,020,000	2,225,000
0.16	19/12/2019	19/12/2022-18/12/2029	3,465,000	4,385,000
0.16	07/05/2020	07/05/2023-06/05/2030	2,290,000	2,820,000
0.1667	08/06/2020	08/06/2023-07/06/2030	-	100,000
0.1854	26/06/2020	26/06/2023-25/06/2030	250,000	250,000
0.185	09/10/2020	09/10/2023-08/10/2030	985,000	1,225,000
0.23917	20/04/2021	20/04/2024-19/04/2031	575,000	1,210,000
0.315	21/10/2021	21/10/2024-20/10/2031	500,000	790,000
0.1675	04/05/2022	04/05/2022-03/05/2032	500,000	785,000
0.16	20/06/2022	20/06/2022-19/06/2032	1,700,000	1,700,000
0.069167	15/06/2023	15/06/2023-14/06/2033	1,560,000	-
0.103333	15/09/2023	15/09/2023-14/09/2033	2,255,000	-
0.07	22/11/2023	22/11/2023-21/11/2033	75,000	-

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
17. SHARE-BASED PAYMENT TRANSACTIONS – Continued

The number and weighted average exercise prices of share options are as follows:

	2023 Weighted average exercise price (£)	2023 Number of options	2022 Weighted average exercise price (£)	2022 Number of options
Outstanding at the beginning of the period	0.133	27,950,000	0.137	27,050,000
Granted during the period	0.089	3,955,000	0.163	2,665,000
Forfeited during the period	0.183	3,760,000	0.234	875,000
Exercised during the period	0.061	780,000	0.078	65,000
Lapsed during the period	0.260	1,350,000	0.250	825,000
Outstanding at the end of the period	0.116	26,015,000	0.133	27,950,000
Exercisable at the end of the period	0.107	18,830,000	0.106	19,070,000

The options outstanding at the year-end have an exercise price in the range of £0.04 to £0.315 and a contractual life of ten years.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes approximation model.

The management estimate for time from grant to exercise is four years, based on the volatility of shares. The contractual life of options in issue is ten years. Management also estimate that 50% of the options will lapse. The expected volatility is based on the daily fluctuation in the share price in the two years preceding the date of grant.

Details of the valuation of the share options granted in the current and prior year are as follows:

	2023	2022
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	57.85%	54.92%
Option life (expressed as weighted average life used in the modelling under Black-Scholes model)	4	4
Expected dividends	0%	0%
Risk free interest rate (based on national government bonds)	4.40%	2.38%
Weighted average fair value of options granted	£0.0435	£0.0724
Weighted average share price	£0.088663	£0.162661

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. SHARE-BASED PAYMENT TRANSACTIONS – Continued

Share options are granted under a service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants. The total (credit)/ expense recognised for the period arising from share-based payments are as follows:

	2023 £	2022 £
<u>Equity settled share based payment charge</u>	<u>41,309</u>	<u>168,981</u>

18. POST BALANCE SHEET EVENT

On 29 February 2024, the Company announced a placing to raise £1.05 million (net of expenses) to bring onboard some valuable high net worth individuals who wanted to invest directly in our story. The proceeds together with a further £70,000 subscription committed by management post the release of the Company's results will be used to bolster our investment in and grow elevate.io.

The notes form part of these financial statements
