Annual Report and Financial Statements of Blackbird plc

For the year ended 31 December 2022

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY INFORMATION

DIRECTORS:	I McDonough SB Streater SJ White A Bentley DE Airey DP Main JK Honeycutt
SECRETARY:	MC Kay
REGISTERED OFFICE:	Tuition House 27 – 37 St George's Road Wimbledon London SW19 4EU
REGISTERED NUMBER:	03507286 (England and Wales)
AUDITORS:	Moore Kingston Smith LLP Statutory Auditor Chartered Accountants 9 Appold Street London EC2A 2AP
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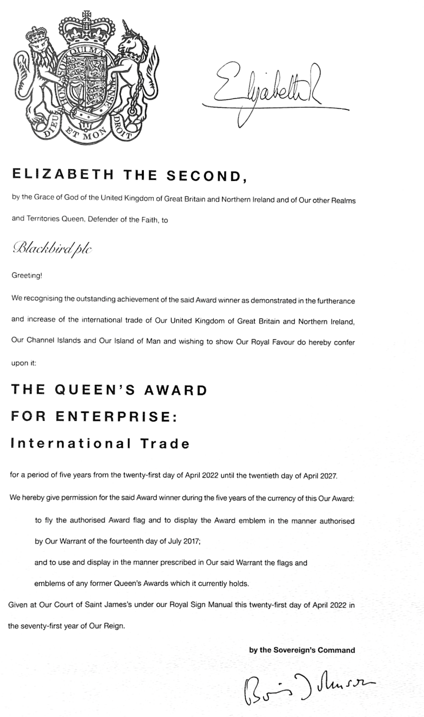
NOMINATED ADVISER AND BROKER:	Allenby Capital Limited 5 St Helen's Place London EC3A 6AB

2022 was another year of industry recognition with the Company winning multiple awards, including the Queen's award for Enterprise: International trade and IABM's Broadcast/Media Company of the year 2022, demonstrating that we lead the field in cloud native video production technological capabilities.

Our claim that Blackbird is the world's fastest, most powerful professional cloud video editing and publishing platform has resonance across the industry. Blackbird enables remote editing via a fully featured browser-based editor. In addition, a key feature is how we empower collaborative working for distributed teams. Furthermore, Blackbird is significantly "infrastructure light" and requires only limited bandwidth making us an ultra-green technology platform. As such, we will become increasingly more important to our clients in achieving their carbon emissions Scope 3 reduction targets as set out in their ESG goals.


DIEU ET MON DROIT

Elizabeth R

ELIZABETH THE SECOND,

by the Grace of God of the United Kingdom of Great Britain and Northern Ireland and of Our other Realms and Territories Queen, Defender of the Faith, to

Blackbird plc

Greeting!

We recognising the outstanding achievement of the said Award winner as demonstrated in the furtherance and increase of the international trade of Our United Kingdom of Great Britain and Northern Ireland, Our Channel Islands and Our Island of Man and wishing to show Our Royal Favour do hereby confer upon it:

THE QUEEN'S AWARD
FOR ENTERPRISE:
International Trade

for a period of five years from the twenty-first day of April 2022 until the twentieth day of April 2027.

We hereby give permission for the said Award winner during the five years of the currency of this Our Award:

to fly the authorised Award flag and to display the Award emblem in the manner authorised by Our Warrant of the fourteenth day of July 2017;

and to use and display in the manner prescribed in Our said Warrant the flags and emblems of any former Queen's Awards which it currently holds.

Given at Our Court of Saint James's under our Royal Sign Manual this twenty-first day of April 2022 in the seventy-first year of Our Reign.

by the Sovereign's Command

Boris Johnson

Strategy

Our strategy is about building upon our strengths, for which we have a two-fold approach:

Firstly, to leverage our technology to broaden our addressable market through OEM partners beyond our existing blue chip customers within Media and Entertainment (M&E). Being a vital and integral part of an end-to-end solution will increase our market applicability and allow us to scale quickly and efficiently. In 2022, we successfully executed the embedding of our technology within the EVS ecosystem, who in turn are successfully deploying their integrated platform into a major US broadcast client. Other similar license deals are in discussions with industry leading partners across their large global client base as well as to new prospects.

Secondly, to make our platform more accessible and frictionless thus widening the market potential beyond M&E. Our focus is on creating a self-service SaaS platform provided on a public cloud ("Blackbird SaaS"). We continue to drive innovation, creating valuable IP in the process. On the back of our successful placing in December 2021 we have expanded our team to bring on board, product, engineering and marketing talent to enable us to initially address the Prosumer and Pro Teams markets. Our focus groups and prospect leads indicate demand and significant interest. According to market research, management believes that the industry comprises around 100 million creators[1] focused on film making and podcasts and around 50 million from enterprises[2]. As such, the Company views its total addressable market as around 150 million potential users. We are very excited about this opportunity and anticipate launching our first stand-alone subscription product in early 2024.

[1] Source Adobe 'Future of Creativity' study September 2022. With around a third of the 303 million creators generating video content and podcasts

[2] Gartner December 2019 article 'When we exceeded 1 billion knowledge workers'. Management estimate 5% will utilise tools available in Blackbird SaaS

Governance

During the last year, I engaged a third party consultant to review the Board's composition, skills and experience. The results showed a relevant and acceptable experience within the Board and a compliant degree of independence in line with the QCA's Corporate Governance Guidelines. The Board remains committed to ensuring that the experience of the Directors remains relevant to the future strategy of the company and will on occasion make any necessary changes to its membership or composition.

Outlook

Looking forward, our 'Powered by Blackbird' strategy has the potential to significantly increase our addressable markets. Similarly, our new product development team are developing a self-service platform that will be relevant to Pro Teams and Prosumers as well as professional broadcasters, who continue to look for more effective solutions. The benefits of these solutions will include improved remote collaboration and convenience. 'Powered by Blackbird' enables our partners to license our technology and incorporate it within their ecosystem driving efficiencies and carbon emissions reductions and positioning Blackbird for meaningful growth.

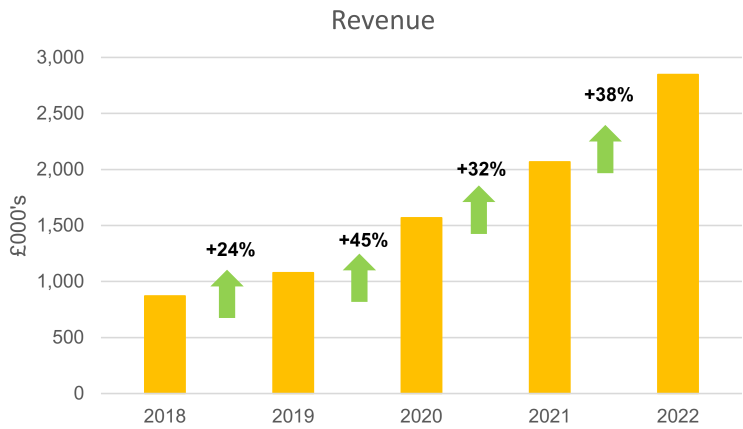
The Board remains committed to realise the full potential of our remarkable technology and will continue to test and refine the best ways in which to achieve this.

Andrew Bentley
Chairman

I am delighted that for the fifth consecutive year the Company has once again delivered record revenues – this year of £2.85 million, up 38% on 2021.

2022 has been a transformational year and despite significant global headwinds in the media and technology sectors the appeal of Blackbird as the fastest, most carbon efficient, cost-effective, professional web editing platform and technology has gained momentum.

The key highlights during the year include the Company executing its first technology licensing deal, directly playing a part in some of the biggest international sports events including the global football tournament in Qatar, the winter games in Beijing and the pinnacle of the American football season and winning several awards in the process including a prestigious Queen's Award for Enterprise.



Blackbird SaaS

We have also focused on the long term strategy for the business by initiating our strategy for a self-service model architected natively in a public cloud (Blackbird SaaS). Following our initial fundraise for this product in December 2021 we have hired the core of the team to design, build and roll out this new platform. We are excited about the opportunities presented by Blackbird SaaS and will be progressing our investment in this platform during the rest of this year.

The Blackbird SaaS platform's aim is to simplify the video production process for professional teams and prosumers. Development of the Blackbird SaaS Platform is well underway utilising the Company's existing intellectual property and core technology.

The Blackbird SaaS platform will be targeted at the creator and enterprise markets and provide users with access to tools and technologies which are usually only available to professionals within the media industry. Within these markets, the first targeted customers are expected to be: i) 'Prosumers' (which includes, inter alia, freelance creators, monetised YouTube producers, video podcasters); and ii) 'Professional teams'.

The Company's intention is to offer the Blackbird SaaS platform at various monthly subscription price points depending on the level of the Blackbird SaaS platform's functionality and features.

We have remained true to our strategy to evolve from selling to direct infrastructure customers through to OEM partnerships and eventually to self-service via a native public cloud integration. We are excited to be delivering on these stated aims.

In terms of serving direct customers, we have brought in new customers this year including those from FIFA, NCSA, All3Media and SBS amongst others. FIFA was probably the most high-profile direct relationship of the year and they used Blackbird for every game during the 2022 global football tournament in December to create and publish match highlights to the FIFA+ platform. It really was a privilege to be a part of such a well-received global event. The FIFA+ platform is a very good place to see our software in action as all match highlights there are created fully using Blackbird.

We continue to be trusted with existing customers too as we have expanded our presence in the TelevisaUnivision and global financial news service accounts and in IMG through NCSA. We also extended our presence in the CBS account, post the year end, striking a deal with Telefe in Argentina.

By far the biggest project to be executed within the year, or any year for us so far, was to deliver fully against the statement of development work for EVS, the Company’s first ‘Powered by Blackbird’ technology licensing deal. The core technology at the heart of our platform is recognised as a solution that can bring the multiple benefits of the codec and surrounding video libraries to the media and entertainment industry at scale. The product the two companies have created together, IPD Via Create was announced to the industry in December and is currently being rolled out to a major US broadcaster.

IPD Via Create will enable companies to edit live footage while it is being captured in the EVS Via production asset management system bringing a high degree of functionality and increased speed to live workflows in sports, news and entertainment. EVS has an excellent reputation and is a global player in the production of live events with 15 offices around the world and headquartered in Belgium.
The relationship between the two companies is strong with aligned values particularly around sustainability. EVS showcased IPD VIA Create as well as the Blackbird integration with IP Director and MediaHub at the IBC show in Amsterdam in September. We are currently in negotiations around a second statement of work which would be an extension to the functionality allowing EVS to win further customers. The technology licensing arrangement includes not only a development fee but also a revenue share of any seat sold plus a fee for every additional channel provisioned. As the product is rolled out to the market over the next months and years, we expect this to be a significant source of revenue.

The launch created a stir in the media and entertainment market and we continue to discuss further rollout of the ‘Powered by Blackbird’ with other industry prospects.

With regards to the future product development for our self-service model, we have made significant advances this year. We succeeded in attracting Sumit Rai as our Chief Product Officer from his role leading the development of the editing platform Vegas Pro – one of the world’s leading editing platforms by numbers of users. In Sumit’s own words he has joined Blackbird because he believes tat ‘cloud migration for editing, production and distribution is set to continue unabated and those that succeed in cloud tools will dominate the sector’. Blackbird has already solved many of the challenging problems for making this a vision a reality with our patented codec and video libraries and therefore is at significant advantage to other industry players in both speed to market and resilience.

We have also strengthened our product engineering team, bringing in Morgan Henry as VP of Engineering. Morgan now manages the product engineering team and has allowed Stephen Streater, together with a small R&D team, to focus on technology innovation and Blackbird 10 in particular – a core tenet of the new Blackbird SaaS platform.

The December 2021 fundraise has also allowed us to strengthen across the board in engineering and in product marketing. Mo Volans has joined us as SVP Product Marketing from Vegas where he previously worked with Sumit.

Blackbird’s profile has remained high during the year, and we are delighted to have won a prestigious Queen’s Award for Enterprise for overseas trade. I was lucky enough to visit Buckingham Palace and talk to Princess Anne, the Princess Royal and the now King Charles III about Blackbird.

We also won the 2022 IABM Broadcast/ Media Company of the Year as a result of our commercial successes, innovation and work we have done to make Blackbird the most carbon efficient platform on the market and to raise awareness of the subject.

In terms of thought leadership, we published four white papers this year. One was a second part to the carbon paper published in 2021 where the wider impact of the media sector on the environment was analysed. Two papers, compiled in conjunction with Caretta Research, focused on how cloud tools are used in the media sector and where the issues are. The most significant conclusion from these were that cloud tools are not generally being used efficiently due to replicating on premise infrastructure in the cloud which is highly inefficient. The fourth paper was the results of a speed test in which Blackbird was pitted head to head against traditional non-linear editors and was found to be up to four times faster.

To conclude, there has never been a more exciting time for Blackbird. We enter 2023 as an established brand in the media and entertainment sector where we are recognised as a leader and innovator. We have blue chip clientele for our platform and our technology now forms the core of IPD Via Create which we hope will be rolled out far and wide in the next few years. Finally, we are executing on our strategy of taking the Blackbird SaaS platform and technology to a broad appeal audience through a self-service model in the public cloud.

Ian McDonough
Chief Executive Officer

Financial review

Revenue
In the year ended 31 December 2022, the Company recorded revenues of £2,847k (2021: £2,066k), which represented an increase of 38% year on year. Our first technology licensing deal with EVS drove the majority of this increase, with development fees and the first annual sales minimum guarantee accounting for £611k revenue in the year.

Operating Costs
Operating costs, excluding LTIP provision, during the year to 31 December 2022 were £4,510k compared to £3,107k in the corresponding period in 2021. £822k of the increase came from costs, mainly staff, associated with the development of the 'Blackbird SaaS' platform. A further £467k came from increased staff costs on the current platform from salary increases, a full year of 2021 hires and additional R&D staff. £95k increase came from increased marketing costs predominantly from attendance at trade shows again, post the pandemic.

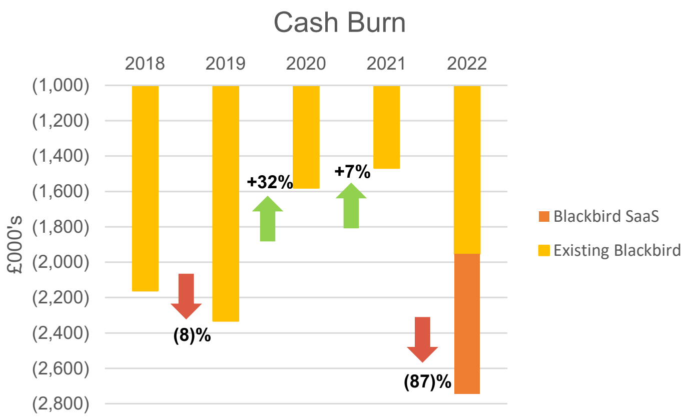
Performance measures
The Company has identified certain metrics such as i) Adjusted EBITDA pre LTIP provision and share option costs and ii) cash burn excluding proceeds from share issues and transfers into short-term deposits, which whilst they are non-GAAP metrics, assist in the understanding of business 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 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 EBITDA pre LTIP provision and share option costs loss increased to a loss of £1,806k (2021: a loss of £1,197k). This was due to higher operating costs, which are explained above, partially offset by higher revenue.

LTIP
The first LTIP period came to an end during 2022. The 2021 year end LTIP provision was based on a share price of 30.75 pence. As forecast in last year's annual report the Company's share price fell in line with the sell off of global technology stocks. The LTIP payout for the first LTIP period was £105,508 based on a share price of 16.93 pence. As no further LTIP units relating to the second LTIP period were issued during the year a credit of £350k was taken to the Income statement during the period (2021: £358k expense in Income statement).

Net loss
The net loss for the year was £1,917k compared to a net loss of £2,135k in 2021 due to a worse EBITDA pre LTIP provision and share option costs offset by the LTIP movement compared to prior year, both of which are explained above, and a higher R&D tax credit in 2022 compared to the prior year.

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 £2,746k from £1,468k in 2021, a result of £793k additional costs incurred on developing the 'Blackbird SaaS' platform and a £491k increase in trade debtors due to timing of payments from a few customers. These outstanding customer balances were settled in 2023.



The Company ended the year with a strong balance sheet including £10,099k of cash and short-term deposits (31 December 2021: £12,389k) and no debt.

Outlook

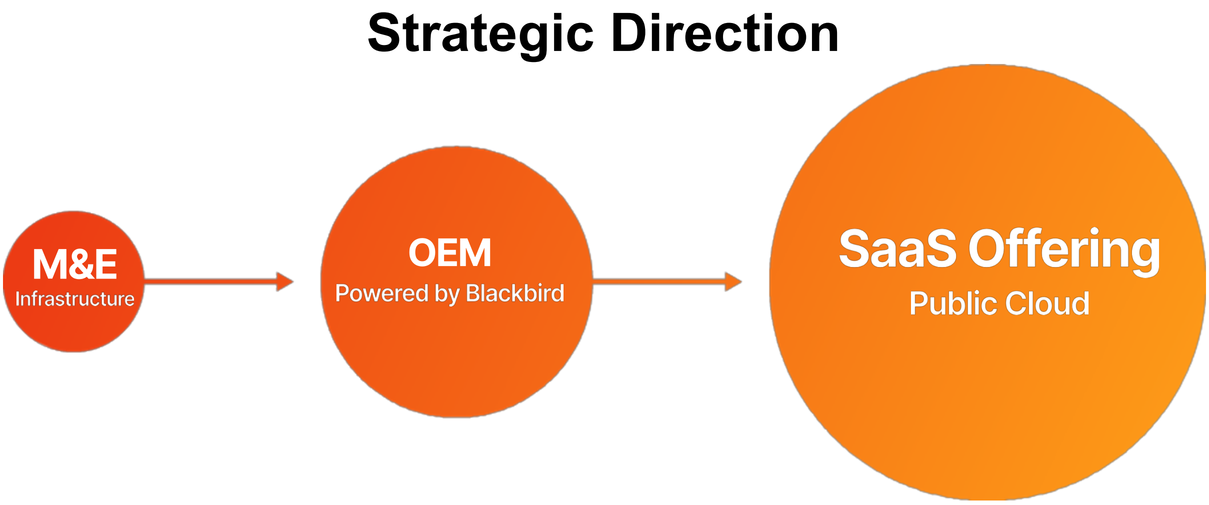
The Company started the year with a healthy contracted but unrecognised revenue balance of £3,426k (2021: £3,732k) down on prior year as the 2021 balance contained £454k of EVS development fees with no comparative at the end of 2022. £1,597k of the year-end balance relates to revenue to be recognised in 2023 (2021 comparative: £1,810k revenue to be recognised in 2022).

We anticipate the 'Blackbird SaaS' platform to be launched towards the start of 2024. This will open up our addressable market and accelerate sales growth through the self-service model.

Stephen White
Chief Operating and Financial Officer

2022 was a year of great progress, not only building on our existing business, onboarding amongst others FIFA and NCSA and being used by one of our partners for the global winter games earlier in the year; but delivering against the statement of work for our first technology licensee, EVS; and hiring key personnel to build the 'Blackbird SaaS' platform, a more widely accessible product to accelerate the Company's future sales growth.

Set out below is a reminder of our Strategic direction, which has previously been presented to shareholders, and which has been consistent over the last few years.



The Company's IP is at the heart of these market opportunities and, following the last fundraise, we have continued to invest in the R&D team whose numbers have risen from 11 at the start of the year to 19 at the end of 2022. This team continues to innovate and push boundaries and we look to protect their work through patents and copyright. The Company currently holds 15 patents with a further 8 pending.

A detailed review of the Company's financial performance during the year ended 31 December 2022 and an outlook for the future is provided within the Financial review on page 7 and 8.

Going concern

The Company made a loss after tax for the year of £1,917k (2021: loss of £2,135k). During the year, the Company continued to build revenues with growth of 38% year on year. Much of the growth came from our first technology licensing deal. The Company recognised £611k from EVS in 2022, both from delivering the initial development work and from the first year's contractual Minimum Sales Guarantee. This deal is the largest one in the Company's history to date and the full benefit will become apparent in future years as EVS roll out their IPD VIA Create product to their customer base. The Company starts the year with a healthy deferred revenue and order book of £3,426k (2021: £3,732k), which is down on prior year as 2021 contained £454k EVS development fees from the technology licensing deal with no 2022 equivalent.

.At 31 December 2022 the Company had £10,099k (2021: £12,839k) held in cash and short-term investments and no debt.

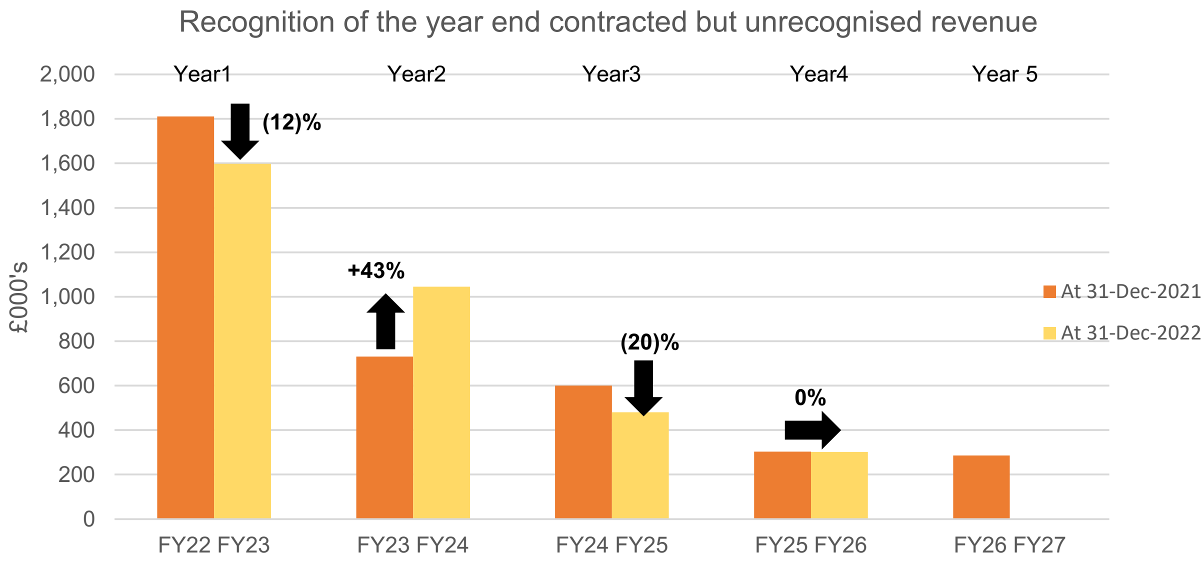
The Directors have prepared a budget and longer-term plan for continued growth off a cost base which will continue to be closely managed and support future growth. Whilst cash burn is expected to increase in the short term as we increase work on the 'Blackbird SaaS' product ahead of launch, the Directors 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.

Therefore, the Director's 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:

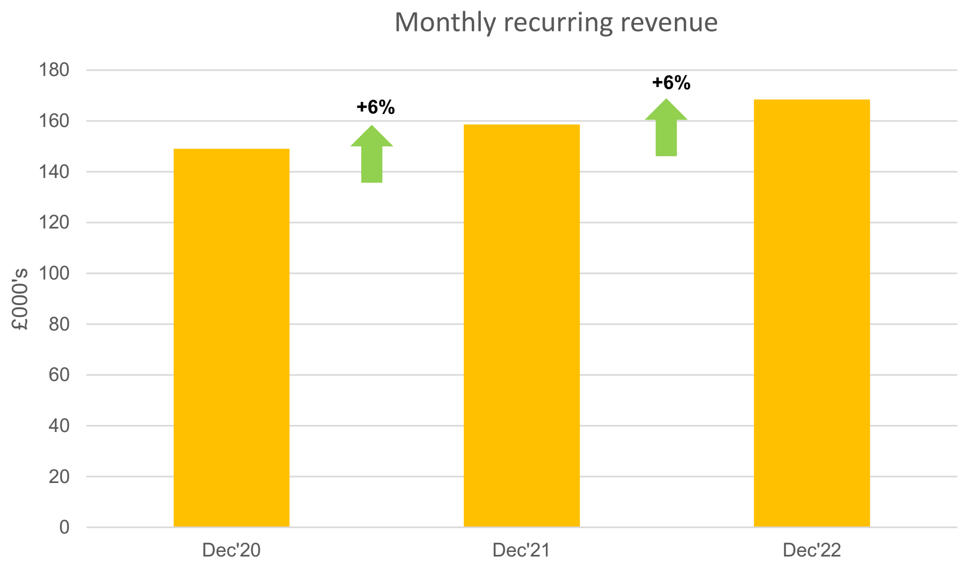
- **Contracted but unrecognised revenue is a key measure of future revenues**
  At the end of 2022, contracted but unrecognised revenue was £3,426k (31 December 2021: £3,732k) was down 8% year on year, with £1,597k secured for 2023 (2021 comparative figure: £1,811k). The principal reason behind the compared to prior year is that the 2021 balance included £454k development work for EVS whereas there is no equivalent at the end of 2022



- **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 2022 cash burn, excluding proceeds from share issues and funds placed on short-term deposits, was £2,753k an increase by 88% compared to 2021 (£1,468k). The main reasons behind the increase in cash burn compared to prior year was development on our 'Blackbird SaaS' product and timings of payments from a few large customers (see chart on Page 7).This metric reconciles back to net cash from operating activities as follows:

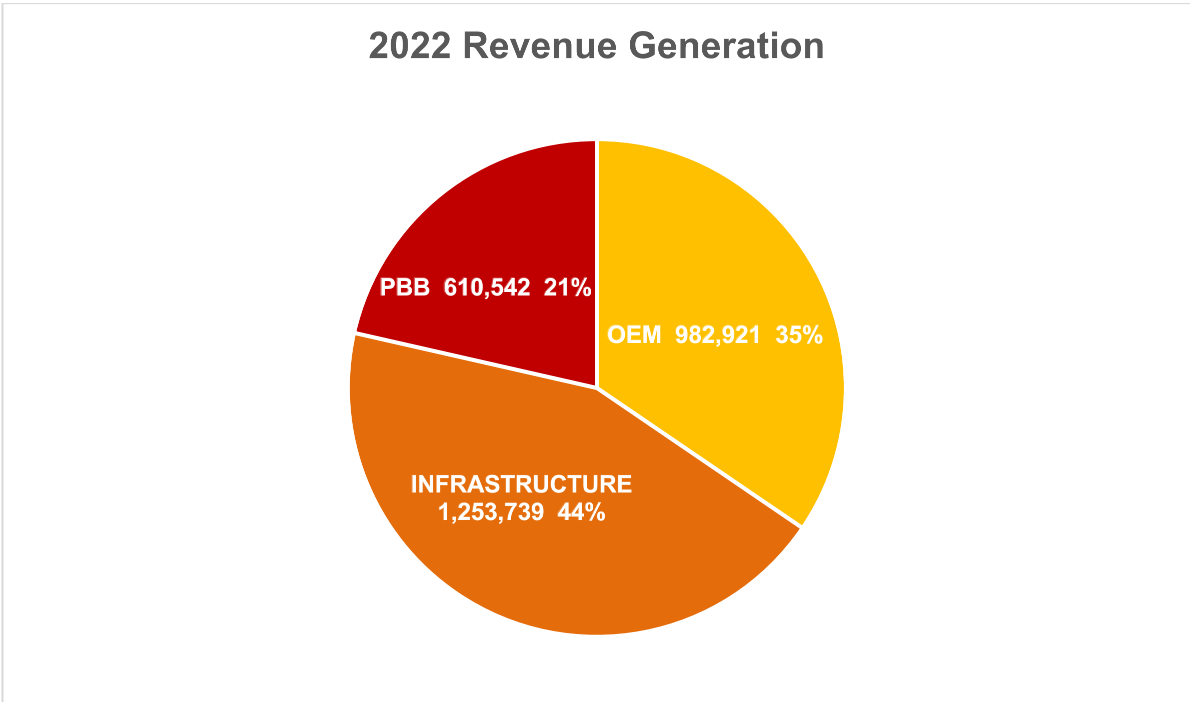
	2022	**2021**
Net cash from operating activities	**(2,373,067)**	**(887,630)**
Payments for intangible fixed assets	(267,383)	(443,657)
Payments for property, plant and equipment	(90,226)	(65,288)
Interest received	82,041	25,393
Payment of lease liabilities	(97,169)	(96,905)
Cash burn, excluding proceeds from share issues and transfers into short-term deposits	**(2,745,805)**	**(1,468,087)**

- **Monthly recurring revenue (MRR)**
  MRR grew by 6% year on year. A substantial portion of the Company's revenue during 2022 was non-recurring monthly including £611k from EVS relating to our technology licensing deal.



- **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 2022 we retained deals with customers who accounted for 95% of OEM and Infrastructure revenue in 2021.

- **Percentage of sales by category**
  Our strategy is focused on driving revenue from recurring infrastructure, OEM sales and technology licensing. There was growth in all three areas of the business compared to prior year with OEM Sales up 6%, infrastructure up 25% and technology licensing 'Powered by Blackbird' (PBB) up 345% due to the EVS development fees & first sales Minimum Guarantee.



PRINCIPAL RISKS AND UNCERTAINTIES

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. In particular, in North America and in Europe, the Company is exposed 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 £5k (2021: £21k loss).

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 that represented more than 10% of revenue in 2022 (2021: 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 (2021: £17k expense).

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.

Technology and product risks

Blackbird is a cloud native video-editing platform operating in several market sectors. 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.

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 an increasing proportion of our activities against items that can help generate repeatable sales and that are commercially viable enhancements to the platform.

During the year the Company strengthened its product team, recruiting Sumit Rai as Chief Product Officer. He has set out a vision for the future of ‘Blackbird SaaS’ as a self-service product which will open up a wider addressable market and accelerate sales growth.

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.

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 Blackbird. 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.

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 2022. 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 2022. The Company reviews its ongoing risk and prepares an annual security plan which focuses resources in the necessary areas.

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.

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.

Brexit and regulation

To date there has been no significant impact to the Company's operations brought about by Brexit. However, there is no guarantee that new foreign legislation restricts or hinders the opportunity to commercially exploit our products.

Blackbird has disaster recovery and business continuity plans in place to mitigate the above risks as much as is possible.

S172 STATEMENT

During 2022, 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 as a whole, 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 clear 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 with 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 11). The security of our customer's 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 2022.

Environment
During the year the Company continued to champion reducing carbon emissions in the industry and, in conjunction with environmental consultancy Green Element, released the white paper 'Decarbonizing video production'. We will continue to promote this message and work with other like-minded companies within the industry to drive change.

ON BEHALF OF THE BOARD:

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Stephen White
Chief Operating and Financial Officer
21 March 2023

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 12 and 13.

DIVIDENDS

No dividends will be declared for the year ended 31 December 2022 (2021: £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

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:

	Class of share	Interest at end of year	Interest at start of year
SB Streater	Ordinary shares of 0.8 pence	62,660,000	62,660,000
I McDonough	Ordinary shares of 0.8 pence	9,565,379	9,315,379
SJ White	Ordinary shares of 0.8 pence	416,735	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	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

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
I McDonough	2,000,000				2,000,000	0.05375	-	15/09/2020	14/09/2027
	400,000				400,000	0.04	-	19/03/2021	18/03/2028
	1,180,000				1,180,000	0.0525	-	15/09/2021	14/09/2028
	300,000				300,000	0.0775	-	25/06/2022	24/09/2029
	1,250,000				1,250,000	0.16	-	19/12/2022	18/12/2029
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
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
DP Main	75,000			(75,000)	-	0.245	-	12/05/2015	11/05/2022
	40,000			(40,000)	-	0.26	-	20/08/2015	19/08/2022
	50,000				50,000	0.275	-	25/04/2016	24/04/2023
	100,000				100,000	0.255	-	25/07/2016	24/07/2023
	75,000				75,000	0.215	-	25/04/2017	24/04/2024
	100,000				100,000	0.19	-	23/09/2017	22/09/2024
	100,000				100,000	0.05875	-	18/11/2018	17/11/2025
	250,000				250,000	0.085	-	07/06/2019	06/06/2026
	500,000				500,000	0.06	-	31/03/2020	30/03/2027
	120,000				120,000	0.0525	-	15/09/2021	14/09/2028
	60,000				60,000	0.0775	-	25/06/2022	24/09/2029
	60,000				60,000	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
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 14.5. The highest closing market price during the year was 22.5p and the lowest closing market price was 11.5p.

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.

SIGNIFICANT SHAREHOLDERS

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

62,660,000	17.0%	SB Streater
62,361,116	17.0%	Premier Miton Group plc
27,786,159	7.6%	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 (2021: £nil).

AUDIT COMMITTEE

The Audit Committee comprises David Main (Chairman) and Andrew Bentley. In the period since the last Directors' Report it met ten times.

The Committee's mandate is to:

- Monitor the integrity of the financial statements of the Company including its annual statutory accounts 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 2022 and the Annual Report and Statutory Accounts of the Company for the year ended 31 December 2022 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 2022 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. On the basis that the Committee conclude that the audit continues to be independent, objective and effective and that the lead partner who has held the position for five years has been replaced in 2022, 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 2022. 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 comprises David Main (Chairman), 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 five 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

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

SHARE OPTION AND LONG-TERM INCENTIVE SCHEMES

In the 12 months to 31 December 2022, 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
4 May 2022	965,000	31	16.75	4 May 2025	3 May 2032
20 June 2022	1,700,000	3	16.0	20 June 2025	19 June 2032

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 941.38 LTIP1 units during the year relating to the first Long Term Incentive Plan (LTIP) period. All units that were issued for the first LTIP Period are detailed below.

Date awarded	No of units awarded	No of Directors, employees, consultants to whom options granted	Type of Units issued
7 May 2020	275.0	1	LTIP1
9 October 2020	221.9	7	LTIP1
	518.1	7	LTIP2
14 April 2022	941.38	14	LTIP1

During the year the Company paid out £105,508 for vested awards for the first LTIP period. Details of payments to Directors can be found in Note 3 to the accounts on Page 40.

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 48. provides a summary.

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 mentioned in the Strategic report, 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**
  - 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, 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 will be 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. The Statement was updated on 21 March 2023.

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.

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
David Main	Non-Executive Director (appointed April 2001), Formerly Chairman (from May 2016 to May 2019), Head of the Audit and Remuneration Committees.	Relevant sector experience in technology, data and media; executive leadership experience across multiple sectors and multiple geographies in both public and private companies. Focus on, strategy and business development including sustainability, capability building, finance and funding.
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.	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. 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. 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).

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. In line with FRC standards on length of service, a new Partner led the Audit engagement this year.

ON BEHALF OF THE BOARD:

....
SJ White
Director
Date: 21 March 2023

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 2022 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 2022 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

The Company is audited by a single audit team, led by the Senior Statutory Auditor. We tailored the scope of our audit to ensure that we performed sufficient and appropriate audit work to be able to give an opinion on the Company 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 set out our approach in respect of key audit matters below in the Key Audit Matters section 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**
Revenue recognition Refer to page 34 (Accounting policy). We assessed the risk of material misstatement in the financial statements due to revenue recognition concentrated in development as well as license and usage fees. Development fees carry a higher risk of misstatement due to the quantum and judgmental nature of estimating the timing and completion of performance obligations. These characteristics make the revenue stream complex and potentially susceptible to subjectivity and bias. License and usage fees are recognised over the life of a license on a straight line basis. The risk of material misstatement is whether the license and usage revenue has been recognised correctly and in the correct accounting period.	We focused our work on those revenue streams that are susceptible to the risk of material misstatement in the financial statements. Our work included the following procedures: - We inspected correspondence with customers to determine the contractual entitlement to recognise development fees as revenue. - We substantively tested development fees to contractual agreements and customer payments. - We obtained licensing contracts and other evidence from customers to understand the terms of licenses. - We substantively tested licensing and usage fees to customer receipts. - We performed recalculation to test whether revenue from licensing and usage fees is calculated accurately and included in the correct accounting period.

	Overall based on the procedures performed, we are satisfied that revenue has been recorded in accordance with the stated accounting policy.
Intangible assets carrying value Refer to page 36 (Accounting policy) The company has £1,270,231 (2021: £1,195,736) of intangible assets at 31 December 2022 of which £1,180,231 (2021: £1,105,736) relates to development costs and £90,000 (2021: £90,000) to licenses. We assessed there is a significant audit risk of material misstatement that the carrying value of intangible assets may not be supportable when comparing to its recoverable amount.	Our audit work focused on evaluating the Directors' annual impairment assessment of the carrying value of intangible assets. - We obtained management's assessment of their consideration of impairment of intangible assets. - We challenged the assumptions and estimates in management's impairment assessment. - We obtained board approved budget and forecasts and challenged assumptions and estimates in the budget. - We performed sensitivities over the key assumptions and estimates. 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.

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 readers and 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.

This year we re-evaluated the way in which we determined materiality and benchmark used. Due to the nature of the company we concluded that the loss before tax to be the main focus for the users of the financial statements; accordingly, this consideration influenced our calculation of materiality. Based on our professional judgement, we determined overall materiality to be £150,000 based on 7.5% of loss before tax (2021: £107,361 based on a percentage of total assets).

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% (2021: 50%) of overall materiality, amounting to £75,000 (2021: £53,680).

We agreed to report to the Audit Committee all audit differences in excess of £7,500 (2021: £5,368), 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

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 's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management cash flow forecasts prepared and approved by the Board for 2023 and assessing whether the cash flow assumptions were consistent with our understanding of the business outlook;
- Evaluating the reasonableness of the assumptions used in these calculations including the cash burn levels and the sales pipeline to obtain evidence of support for the revenue forecast; and
- Performing sensitivity analysis on the cash flow forecast to determine how changes in the assumptions used could impact the overall cash position and the cash burn rate and 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 are supportable and that the approach taken in determining forecast revenues as set out above are supportable. 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.

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 parent company 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 22, 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.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis

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

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

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.

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.

21 March 2023

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

9 Appold Street
London
EC2A 2AP

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

Income statement and statement of comprehensive income

	Notes	2022 £	2021 £
CONTINUING OPERATIONS			
Revenue	2	2,847,202	2,066,271
Cost of Sales		(143,149)	(155,691)
GROSS PROFIT		2,704,053	1,910,580
Operating costs excluding LTIP provision		(4,509,938)	(3,107,283)
ADJUSTED EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION, EMPLOYEE SHARE OPTION COSTS AND LTIP PROVISION (ADJUSTED EBITDA Pre LTIP and share option costs)		(1,805,885)	(1,196,703)
LTIP provision Decrease/(Increase)		350,431	(357,712)
Employee share option costs		(168,981)	(176,583)
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION(EBITDA)		(1,624,435)	(1,730,998)
Depreciation		(144,677)	(117,199)
Amortisation		(383,330)	(337,078)
		(528,007)	(454,277)
OPERATING LOSS	4	(2,152,442)	(2,185,275)
Net Finance income	5	141,414	18,382
LOSS BEFORE INCOME TAX		(2,011,028)	(2,166,893)
Income tax	6	94,178	32,167
LOSS FOR THE YEAR		(1,916,850)	(2,134,726)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,916,850)	(2,134,726)
Earnings per share expressed in pence per share			
Basic – continuing and total operations	7	(0.52p)	(0.63p)
Fully diluted – continuing and total operations		(0.52p)	(0.63p)

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	1,270,231	1,195,736
Property, plant and equipment	9	202,204	256,655
		1,472,435	1,452,391
CURRENT ASSETS			
Trade and other receivables	10	862,549	395,315
Stock		662	895
Current tax assets		94,178	32,167
Short-term investments		4,366,342	4,169,186
Cash and bank balances		5,732,350	8,670,274
		11,056,081	13,267,837
TOTAL ASSETS		12,528,516	14,720,228
EQUITY AND LIABILITES			
CAPITAL AND RESERVES			
Issued share capital	11	2,941,044	2,940,524
Share premium		34,038,746	34,034,228
Capital contribution reserve		125,000	125,000
Retained earnings		(25,904,774)	(24,156,905)
TOTAL EQUITY		11,200,016	12,942,847
NON-CURRENT LIABILITIES			
Lease and other payables	12,13	29,783	131,908
CURRENT LIABILITIES			
Trade and other payables	12	1,298,717	1,645,473
TOTAL LIABILITIES		1,328,500	1,777,381
TOTAL EQUITY AND LIABILITIES		12,528,516	14,720,228

The financial statements were approved by the Board of Directors on 21 March 2023 and were signed on its behalf by:

....

A Bentley – Director SJ White – Director

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Issued share capital £	Retained earnings £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2021	2,696,433	(22,198,762)	26,516,613	125,000	7,139,284
Changes in equity					
Issue of share capital	244,091	-	7,517,615	-	7,761,706
Share issue expenses	-	-	-	-	-
Share based payment	-	176,583	-	-	176,583
Total comprehensive loss for the year	-	(2,134,726)	-	-	(2,134,726)
Balance at 31 December 2021	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 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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Cash flows from operating activities			
Cash used in operations	A	(2,194,724)	(901,066)
Interest paid on lease liabilities		(7,692)	(11,979)
Tax received		32,166	25,415
Net cash from operating activities		(2,170,250)	(887,630)
Cash flows from investing activities			
Payments for intangible fixed assets		(470,200)	(443,657)
Payments for property, plant and equipment		(90,226)	(65,288)
Transfer into short-term investments		(197,156)	(2,551,366)
Interest received		82,041	25,393
Net cash from investing activities		(675,541)	(3,034,918)
Cash flows from financing activities			
Share issues (net of expenses)		5,038	7,761,706
Payment of lease liabilities		(97,169)	(96,905)
Net cash from financing activities		(92,131)	7,664,801
Increase/(Decrease) in cash and cash equivalents		(2,937,924)	3,742,253
Cash and cash equivalents at beginning of year	B	8,670,274	4,928,021
Cash and cash equivalents at end of year	**B**	5,732,350	8,670,274

A. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH USED IN OPERATIONS

	2022 £	2021 £
Loss before income tax	(2,011,028)	(2,166,893)
Depreciation	144,677	117,199
Amortisation charges	383,330	337,078
Finance income	(141,414)	(18,382)
Earnings before interest, taxation, depreciation and amortisation	(1,624,435)	(1,730,998)
Adjustment for LTIP	(350,431)	357,712
Adjustment for Employee share option costs	168,981	176,583
Movements in working capital:		
(Increase)/ Decrease in trade and other receivables	(372,821)	(94,400)
(Decrease) / Increase in trade and other payables	(16,018)	390,037
Cash used in operations	(2,194,724)	(901,066)

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 2022

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

Year ended 31 December 2021

	31/12/21 £	1/1/21 £
Cash and cash equivalents	8,670,274	4,928,021

1. 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 £1,917k (2021: loss of £2,135k). During the year, the Company continued to build revenues with growth of 38% year on year. Much of the growth came from our first technology licensing deal. The Company recognised £611k from EVS in 2022, both from delivering the initial development work and from the first year's contractual Minimum Sales Guarantee. This deal is the largest one in the Company's history to date and the full benefit will become apparent in future years as EVS roll out their IPD VIA Create product to their customer base. The Company starts the year with a healthy order book and deferred revenue of £3,426k (2021: £3,732k), which is down on prior year as 2021 contained £454k EVS development fees from the technology licensing deal with no 2022 equivalent.

At 31 December 2022 the Company had £10,099k (2021: £12,839k) 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 increase work on the 'Blackbird SaaS' product ahead of launch, 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.

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 but have not been applied by the Company in preparing these financial statements as they are relevant to the Company's activities . The Company intends to adopt these Standards and Interpretations as and when it becomes necessary.

- 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 directors do not expect that the adoption of the Standards listed above will have a material impact on the Company in future periods.

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Company's activities and which have not therefore been adopted in preparing these financial statements.

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 licence which has an indefinite life are tested annually for impairment. At 31 December 2022 no impairment is deemed necessary.

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 redeemable 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.

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.

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 £1,270,331 comprises development costs recognised on the basis described in the accounting policy note on page 36 and a perpetual licence 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 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 34. Payments are normally received 30 days after they fall due. There are five types of revenue shown in the segmental analysis on page 38.

Contract assets

	2022 £	2021 £
Accrued revenue at 1 January	8,189	2,738
Invoiced sales (released)/accrued in the year	(8,189)	5,451
Accrued revenue at 31 December	-	8,189

The change in the value of contract assets is the result of the contract to which the accrued income relates coming to an end during the year and being fully invoiced.

Contract liabilities

	2022 £	2021 £
Deferred revenue at 1 January	575,211	398,801
Net increase in invoiced sales deferred in the year	136,375	176,410
Deferred revenue at 31 December	711,586	575,211

The change in the value of contract liabilities is the result of an increase in invoiced sales for 2022 at 31 December 2022 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 2021. As the Company prepares to launch its 'Blackbird SaaS' 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 will now also be 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 Operating Decision Maker but do not constitute separate reportable segments under IFRS 8.

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

	2022 £	2021 £
UK	549,394	407,071
North America	1,433,292	1,255,652
Europe	782,721	339,822
Rest of World	81,795	63,726
Total	2,847,202	2,066,271

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:

	2022 £	2021 £
News	645,972	554,532
Sport	824,578	692,157
Other Entertainment	712,028	625,325
Other	54,082	57,076
Powered by Blackbird	610,542	137,181
Total	2,847,202	2,066,271

In addition by revenue type:	2022 £	2021 £
Licence and usage fees	2,174,389	1,865,100
Royalties from licensing	154,528	-
Hardware	1,000	17,950
Professional services	61,271	46,040
Development Fees	456,014	137,181
Total	2,847,202	2,066,271

During the year, sales to two customers accounted for more than 10% of the total revenue each. Total sales to the largest customer amounted to £610,542.

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

	2022	2022	2022	2022	2022
	£ Existing Platform	£ 'Blackbird SaaS'	£ Corporate	£ Unallocated	£ Total
Revenues	2,847,202	-	-	-	2,847,202
ADJUSTED EBITDA Pre LTIP and share option costs	(33,740)	(821,725)	(950,421)	-	(1,805,885)
Loss before tax	(348,255)	(821,725)	(672,069)	(168,981)	(2,011,028)
Total Assets	1,678,795	226,152	10,403,298	220,271	12,528,516
Total Liabilities	723,960	-	259,454	345,086	1,328,500

3. **EMPLOYEES AND DIRECTORS**

	2022 £	2021 £
Wages and salaries	2,693,021	1,958,391
Social security costs	328,960	219,019
Employers pension contributions	66,239	49,982
	3,088,220	2,227,392

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

	2022 £	2021 £
Wages and salaries	2,398,928	1,628,470
Social security costs	296,808	186,765
Employers pension contributions	66,239	49,982
	2,761,975	1,865,217

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

	2022	2021
Directors	3	3
Research and development	16	11
Sales	4	4
Product, Operations and Customer support	8	8
Marketing	2	1
Admin and finance	1	1
	34	28

Directors' remuneration and benefits

	2022 £ Remuneration	2022 £ LTIP	2022 £ Pension	2022 £ Benefits	2022 £ TOTAL	2021 £ Remuneration	2021 £ Pension	2021 £ Benefits	2021 £ TOTAL
I McDonough	203,000	46,920	6,090	2,217	258,227	214,765	5,250	1,934	221,949
SB Streater	175,000	17,428	5,250	2,749	200,427	150,000	4,500	2,326	156,826
SJ White	140,000	10,522	4,200	1,074	155,796	128,333	3,850	948	133,131
DP Main	25,000	-	-	1,450	26,450	25,000	375	2,195	27,570
A Bentley	45,000	-	-	1,080	46,080	45,000	-	1,211	46,211
DE Airey	20,000	-	-	-	20,000	20,000	-	-	20,000
JK Honeycutt	20,000	-	-	-	20,000	20,008	-	-	20,008
	628,000	74,870	15,540	8,570	726,980	603,106	13,975	8,614	625,695

4. OPERATING LOSS

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

	2022 £	2021 £
Foreign exchange differences	4,539	(20,699)
Research and development	(457,825)	(342,584)
Auditor's remuneration	(35,000)	(29,536)
Auditor's remuneration – non audit – all other services	(28,450)	(28,119)
Earnings before interest, taxation, depreciation and amortisation	(1,624,435)	(1,730,998)
Depreciation – owned assets	(144,677)	(117,199)
Development costs amortisation	(383,330)	(337,078)
Operating loss (before interest and taxation)	(2,152,442)	(2,185,275)

5. NET FINANCE INCOME

	2022 £	2021 £
Finance income:		
Deposit account interest	149,106	30,361
Finance costs:		
Interest on lease liability	(7,692)	(11,979)
Net finance income	141,414	18,382

6. INCOME TAX

	2022 £	2021 £
Current tax:		
Tax credit	94,178	32,167
Total tax credit in income statement	94,178	32,167

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:

	2022 £	2021 £
Loss on ordinary activities before tax	(2,011,028)	(2,166,893)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.0% (2021 –19%)	(382,095)	(411,710)
Effects of:		
Expenses not deductible for tax	1,195	269
Depreciation (in excess of)/lower than capital allowances	(9,748)	(10,004)
Non-trade interest expense	1,462	2,276
UK Tax losses	525,530	416,327
Additional relief for R&D expenditure	(69,751)	(23,823)
Timing difference on capitalised development costs	(126,208)	(32,592)
Share option exercise	(1,328)	(74,426)
LTIP provision	(64,185)	67,965
Employee share option cost	30,950	33,551
Total income tax	(94,178)	(32,167)

Tax effects relating to Employee Share Option costs

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

	Gross	2021 Tax	Net
Employee share option cost	(176,583)	-	(176,583)

UK Tax losses of approximately £24,624,000 (2021: £22,493,000) are available to relieve against future profits of the Company.

Unrecognised deferred tax assets	2022 £	2021 £
Tax losses carried forward	6,156,000	5,623,304
	6,156,000	5,623,304

6. **INCOME TAX - Continued**

2022 unrecognised deferred tax asset is calculated at a rate of 25% (2021: 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.

	2022	2021
Loss attributable to equity holders of the company (£)	(1,916,850)	(2,134,726)
Weighted average number of ordinary shares in issue	366,589,903	338,474,408
Basic earnings per share (pence per share)	(0.52p)	(0.63p)

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.

	2022	2021
Loss used to determine diluted earnings per share (£)	(1,916,850)	(2,134,726)
Weighted average number of ordinary shares in issue	366,589,903	338,474,408
Share options	27,950,000	27,050,000
Weighted average number of ordinary shares used to determine diluted earnings per share	394,539,903	365,524,408
Diluted earnings per share (pence per share)	(0.49p)	(0.58p)

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.

8. INTANGIBLE ASSETS

	Development costs £	Licences £	Totals £
COST			
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

	Development costs £	Licences £	Totals £
COST			
At 1 January 2021	3,927,631	90,000	4,017,631
Additions	427,157	-	427,157
At 31 December 2021	4,354,788	90,000	4,444,788
AMORTISATION			
At 1 January 2021	2,911,974	-	2,911,974
Amortisation for year	337,078	-	337,078
At 31 December 2021	3,249,052	-	3,249,052
NET BOOK VALUE			
At 31 December 2021	1,105,736	90,000	1,195,736
At 31 December 2020	1,015,657	90,000	1,105,657

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 37).

9. PROPERTY, PLANT AND EQUIPMENT

	Right of use asset	Leasehold improvements	Fixtures and fittings	Computer Equipment & Software	Client-facing IT equipment	Totals
COST	£	£	£	£	£	£
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	1,050,003
Charge for year	86,398	832	1,791	22,712	32,945	144,677
Retirement of assets	-	-	-	(326,932)	(210,759)	(537,691)
At 31 December 2022	318,607	102,765	63,967	95,534	76,117	656,989
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

	Right of use asset	Leasehold improvements	Fixtures and fittings	Computer Equipment & Software	Client-facing IT equipment	Totals
COST	£	£	£	£	£	£
At 1 January 2021	431,988	103,874	62,175	406,068	237,265	1,241,370
Additions	-	-	-	11,935	53,354	65,289
Disposals	-	-	-	(6,642)	6,642	-
At 31 December 2021	431,988	103,874	62,175	411,361	297,261	1,306,659
DEPRECIATION						
At 1 January 2021	145,811	101,101	62,175	388,738	234,980	932,805
Charge for year	86,398	832	-	12,008	17,961	117,199
Disposals				(991)	991	-
At 31 December 2021	232,209	101,933	62,175	399,755	253,932	1,050,004
NET BOOK VALUE						
At 31 December 2021	199,779	1,941	-	11,606	43,329	256,655
At 31 December 2020	286,177	2,773	-	17,330	2,285	308,565

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.

10. TRADE AND OTHER RECEIVABLES

Current:	2022 £	2021 £
Trade debtors	561,050	68,194
Less: provision for doubtful receivables	(-)	(-)
Trade debtors net of provision for doubtful receivables	561,050	68,194
Other debtors	94,852	215,360
Accrued income	80,553	21,677
Prepayments	126,094	90,084
	862,549	395,315

Included in other debtors is a rental deposit of £19,175 (2021: £19,175) which is subject to a charge.

The average credit period on trade sales is 50 days. Standard credit terms are 30 days. Included within trade debtors are balances totalling £561,050 (2021: £68,194) which are beyond agreed credit terms but are not subject to impairment. Cash of £523,091 from trade debtors at 31 December 2022 has been received post year end.

11. CALLED UP SHARE CAPITAL

Called up and fully paid:	2022 £	2021 £
367,630,521 ordinary shares of 0.8p each (2021: 367,565,521 ordinary shares of 0.8p each)	2,941,044	2,940,524

11. **CALLED UP SHARE CAPITAL – Continued**

During the year the Company issued 2,665,000 (2021 – 2,535,000) share options under the terms of the share option schemes. The total share options outstanding as at 31 December 2022 was 27,950,000 (2021:27,050,000).

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

	Class of share	31/12/2022	31/12/2021
SB Streater	Ordinary shares of 0.8 pence	1,770,000	1,770,000
I McDonough	Ordinary shares of 0.8 pence	5,130,000	5,130,000
SJ White	Ordinary shares of 0.8 pence	1,750,000	1,750,000
A Bentley	Ordinary shares of 0.8 pence	960,000	960,000
DP Main	Ordinary shares of 0.8 pence	1,565,000	1,680,000
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**

Current:	2022 £	2021 £
Trade creditors	64,869	74,609
Social security and other taxes	135,885	81,266
Lease Liability	93,786	89,388
LTIP Provision	-	455,939
Licence Liability	12,375	16,500
Other creditors	41,238	165,755
Deferred income	711,585	575,211
Accruals	238,980	186,805
	1,298,718	1,645,473

Non-Current:	2022 £	2021 £
Lease liability	29,783	123,658
Licence Liability	-	8,250
	29,783	131,908

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. The first LTIP period being 1 January 2019 to 31 December 2021.

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 was calculated 30 days after the date of the announcement of the Company's full year audited results for its Financial Year ending 31 December 2021 and was equal to 5% of the total increase in the Company value above the hurdle value applicable to that pool.

The Company value was 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 15 pence per share and for each LTIP2 unit was 20 pence per share for the first LTIP period.

During the year the Company awarded a further 941.38 LTIP1 units, resulting in the total number of awards issued being 1,438.28 LTIP1 units and 518.10 LTIP2 units for the last LTIP period. This resulted in a total payout for the first LTIP period of £105,508. Details of payments made to Directors are set out in Note 3.

Total awards to Directors for the first LTIP period were as follows:

	LTIP1 units	LTIP2 units
Ian McDonough	639.61	191.9
Stephen Streater	237.58	115.1
Stephen White	143.44	115.1

No awards have been made for the second LTIP period which runs from 1 January 2022 to 31 December 2024.

The LTIP provision calculated at 31 December 2021 was based on a 30.75 pence share price, whereas the calculation of the Company value for the first LTIP period was based on a 16.93 pence share price. This resulted in a significant credit to the 2022 Income statement from the release of the remaining LTIP provision as set out below:

	£
LTIP Provision at 31 December 2021	455,939
Final payout for first LTIP Period	(105,508)
Release of provision	(350,431)
LTIP Provision at 31 December 2022	-

13. LEASING AGREEMENTS

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

	2022 £	2021 £
In the next 12 months	93,786	89,388
Between one and five years	29,783	123,658

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 £840 (2021: £nil) were paid to the wife of Ian McDonough for photography services.

16. ULTIMATE CONTROLLING PARTY

At 31 December 2022 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.

17. **SHARE-BASED PAYMENT TRANSACTIONS – Continued**

Exercise price (£)	Date granted	Range of dates exercisable	Number of shares for which rights are exercisable at 31/12/2022	Number of shares for which rights are exercisable at 31/12/2021
EMI				
0.245	12/05/2012	12/05/2015-11/05/2022	-	540,000
0.26	20/08/2012	20/08/2015-19/08/2022	-	285,000
0.275	25/04/2013	25/04/2016-24/04/2023	325,000	325,000
0.255	25/07/2013	25/07/2016-24/07/2023	1,025,000	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	510,000	510,000
0.0825	11/05/2015	11/05/2018-10/05/2025	150,000	150,000
0.05875	18/11/2015	18/11/2018-17/11/2025	425,000	425,000
0.085	07/06/2016	07/06/2019-06/06/2026	630,000	630,000
0.06	31/03/2017	31/03/2020-30/03/2027	1,750,000	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	1,425,000	1,425,000
0.0525	15/09/2018	15/09/2021-14/09/2028	2,970,000	2,970,000
0.0593	31/10/2018	31/10/2021-30/10/2028	600,000	600,000
0.0775	25/06/2019	25/06/2022-24/06/2029	2,225,000	2,290,000
0.16	19/12/2019	19/12/2022-18/12/2029	4,385,000	4,385,000
0.16	07/05/2020	07/05/2023-06/05/2030	2,820,000	2,820,000
0.1667	08/06/2020	08/06/2023-07/06/2030	100,000	200,000
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	1,225,000	1,365,000
0.23917	20/04/2021	20/04/2024-19/04/2031	1,210,000	1,360,000
0.315	21/10/2021	21/10/2024-20/10/2031	790,000	1,095,000
0.1675	04/05/2022	04/05/2022-03/05/2032	785,000	-
0.16	20/06/2022	20/06/2022-19/06/2032	1,700,000	-

17. **SHARE-BASED PAYMENT TRANSACTIONS – Continued**

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

	2022 Weighted average exercise price (£)	2022 Number of options	2021 Weighted average exercise price (£)	2021 Number of options
Outstanding at the beginning of the period	0.137	27,050,000	0.121	26,785,000
Granted during the period	0.163	2,665,000	0.273	2,535,000
Forfeited during the period	0.234	875,000	0.202	280,000
Exercised during the period	0.078	65,000	0.092	1,940,000
Lapsed during the period	0.250	825,000	0.128	50,000
Outstanding at the end of the period	0.133	27,950,000	0.137	27,050,000
Exercisable at the end of the period	0.106	19,070,000	0.101	13,285,000

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:

	2022	2021
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	54.92%	66.68%
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)	2.38%	0.92%
Weighted average fair value of options granted	£0.0724	£0.1375
Weighted average share price	£0.162661	£0.271286
Exercise price	£0.162661	£0.272521

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:

	2022 £	2021 £
Equity settled share based payment charge	168,981	176,583