

29 March 2021

Digitalbox plc
("Digitalbox" or the "Group")

Final Audited Results for the year ended 31 December 2020

Digitalbox plc, the mobile-first digital media business, which owns leading websites Entertainment Daily, The Daily Mash, and The Tab, is pleased to announce its final audited results for the year ended 31 December 2020.

Financial Highlights¹:

- Revenue of £2.2m (2019: £2.2m)
- Gross profit of £1.7m (2019: £1.8m)
- Gross margin of 76% (2019: 82%)
- Adjusted EBITDA² of £0.3m (2019: £0.5m)
- Adjusted EBITDA margin of 13.9% (2019: 23.4%)
- Adjusted EBITDA per share of 0.3p (2019: 0.7p)
- Loss before tax of £143k (2019: loss of £460k)
- Gross cash of £1.9m as at 31 December 2020 (31 December 2019: £0.5m) including £500k of Government-backed Covid loans³

Operational Highlights:

- Encouraging progress across the portfolio despite challenging market conditions. Users⁴ who visited Digitalbox's websites are up 76% to 67 million (2019: 38 million)
- Completed acquisition of The Tab in October 2020 – Q4 traffic up 42% year on year.
- Digitalbox's Graphene platform underpins The Tab's shift from operating loss to a positive contribution
- 88% of users are via mobile devices in line with Group strategy of building a leading mobile-focused media business.
- After a difficult third quarter due to disruptive social media algorithm changes designed to counter COVID-19 disinformation, Group audience figures recovered to 12 million monthly users in December 2020, with more than 250 million ad impressions.
- In 2020, Entertainment Daily saw 112% growth in Google/Direct traffic, and The Daily Mash had 14% growth in visits per user.
- Former Chief Executive of TI Media, Marcus Rich appointed Non-executive Chairman in February 2021, post year-end.

Outlook:

- Acquisitions of The Daily Mash and The Tab have proved the potential of the Digitalbox operating model and its Graphene platform, giving continued confidence in the Group's ability to build a larger portfolio of successful, profitable digital brands.
- We are evaluating potential targets and, with a strong balance sheet, have the flexibility to move on the right opportunities at speed.
- Advertising trends continue to be accelerated by the impact of COVID-19, resulting in money rapidly moving into the mobile sector. Combined with a strengthening economy, Digitalbox is well placed for growth.

James Carter, CEO, Digitalbox plc, said: *"Digitalbox delivered a very positive performance in 2020. Despite challenging market conditions, we thrived by taking advantage of the changing landscape to deliver on our strategy of building a leading mobile-focused media business by acquiring additional assets and integrating them with our Graphene operating platform. This success has been greatly aided by our agile approach enabling us to quickly adapt to opportunities and challenges as they arise."*

"The year saw a massively disrupted economic environment created by the COVID-19 pandemic alongside some significant turbulence within social media platforms as their algorithms struggled to manage issues around

misinformation. However, I am pleased to report we have moved the business forward, ending the year operating three significant brands and in a much stronger position than we started it.

“2020 ended with the business having traded profitably on an adjusted EBITDA basis, having brought on board a cornerstone investor in Downing Strategic Micro-Cap Investment Trust plc, and, importantly, having continued our buy and build plan in acquiring The Tab at the beginning of October.

“We enter 2021 with cash at the bank, an expanded portfolio of assets, a stronger investor base, a brighter advertising market and a re-invigorated Board. We look forward to 2021 as a trading period that will start to normalise and present more acquisition opportunities as the reality of life begins to create pressures on those businesses who were less able to navigate the economy in 2020.”

Footnotes:

¹ 2019 refers to 10 months of trading of The Daily Mash and Entertainment Daily.

² Adjusted EBITDA is defined as the loss from operations after deducting depreciation, amortisation, share-based payments, acquisition and listing costs, direct costs associated with business combinations and capital restructure costs.

³ Government-backed CBILS scheme loan of £450k taken in October 2020 and £50k Government-backed CBILS scheme loan taken on as part of the acquisition of The Tab.

⁴ Figures include full-year Google Analytics compound audience figures for Entertainment Daily & The Daily Mash and post-acquisition period Oct-Dec 2020 for The Tab and associated social channels.

Investor Presentations

InvestorMeetCompany

The Company will provide a live presentation via the InvestorMeetCompany platform today at 9:00am. Introduced by Company Chairman, Marcus Rich and presented by CEO James Carter and the executive team, the presentation is open to all existing and potential shareholders. Questions can be submitted at any time during the live presentation. Investors can sign up to Investor Meet Company for free and add to meet DIGITALBOX PLC via: <https://www.investormeetcompany.com/digitalbox-plc/register-investor>

MelloMonday

Furthermore, Digitalbox will also be attending MelloMonday today from 5.00pm - 9.30pm via Zoom webinar. CEO James Carter and CFO David Joseph will be presenting to participants and taking questions during the event. If you would like to attend the webinar as a shareholder, please get your ticket [here](#) using code SHVIP for 50% off.

Market abuse regulation:

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“MAR”).

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About Digitalbox plc

Based in Bath, UK, Digitalbox is a 'pure-play' digital media business with the aim of profitable publishing at scale on mobile platforms.

Digitalbox operates three trading brands, "Entertainment Daily", "The Tab" and "The Daily Mash". Entertainment Daily produces and publishes online UK entertainment news covering TV, showbusiness and celebrity news. The

Daily Mash produces and publishes satirical news content. The Tab is the UK's biggest youth culture site fuelled by students.

Digitalbox generates revenue from the sale of advertising in and around the content it publishes. The Group's optimisation for mobile enables it to achieve revenues per session significantly ahead of market norms for publishers on mobile.

CHAIRMAN'S STATEMENT

I am delighted to report that Digitalbox has successfully navigated its way through the most challenging social and economic period in recent history.

The business was confronted with not just the sudden and dramatic economic downturn in Q2 2020 caused by COVID-19, but also the disruption created by the social media giants in their efforts to combat misinformation in the run-up to the US elections and their ongoing difficulties combatting the same about COVID-19.

Thanks to swift decision-making by an alert management team the business took immediate action in 'right-sizing' the cost base in order to soften the blow of the sudden and inevitable reduction in revenues.

Further, management shored up the balance sheet by availing itself of the Government-backed CBILS scheme, taking on a loan of £450k in October and at the same time securing an injection of £1.2m of fresh capital from a new cornerstone investor Downing Strategic Micro-Cap Investment Trust plc ("Downing") through the issue of shares.

Management did not let the prevailing challenging economic conditions get in the way of progressing its buy and build strategy. On 1st October 2020 Digitalbox announced it had successfully acquired Tab Media Limited ('The Tab') adding it to the portfolio alongside Entertainment Daily and The Daily Mash. The Tab is now profitable (being loss making under previous ownership) and has benefitted from being integrated onto the group's proprietary tech platform Graphene.

Our efficient and expert content creation married to our cutting-edge technology creates value with The Tab being a strong proof point for our buy and build plan.

This combination of mitigating activity and delivery of strategy meant year-on-year revenue impact was successfully contained at only a 2.4% reduction and the business generated a robust £305k of adjusted EBITDA compared to £525k in 2019.

Digitalbox begins 2021 with £1.9m cash reserves and a stronger investor base. The three brands in our portfolio are seeing the disruption in the ecosystems of the social media giants beginning to dissipate and we are successfully diversifying our traffic sources. In addition, Group M industry forecasters are predicting double-digit year-on-year advertising growth for the UK led by programmatic display on mobile.

Whilst the impacts of the pandemic are far from over, our mobile-first business is in excellent shape to continue to grow.

We remain highly cash generative, have healthy cash reserves and we see further opportunities for both organic growth from the existing brands and complementary acquisitions in 2021.

Marcus Rich
Chairman
26 March 2021

CHIEF EXECUTIVE'S STATEMENT

Digitalbox delivered a very positive performance in FY2020. Despite challenging market conditions, we thrived by taking advantage of the changing landscape to deliver on our strategy of building a leading mobile-focused media business through the acquisition of an additional asset and integrating it with our operating platform. This success has been greatly aided by our agile approach, which enables us to quickly adapt to opportunities and challenges as they arise.

The year saw a massively disrupted economic environment created by the COVID-19 pandemic alongside some significant turbulence within social media platforms as their algorithms struggled to manage issues around misinformation, but I am pleased to report we have been able to move the business forwards, ending the year operating three significant brands and in a much stronger position than we started it.

2020 ended with the business having traded profitably on an adjusted EBITDA basis, having brought on board a cornerstone investor in Downing, availing ourselves of a Government-backed loan under the CBILS scheme during October and, importantly, having continued our buy and build plan in acquiring The Tab at the end of September.

We enter 2021 with £1.9m cash at the bank, an expanded portfolio of assets, a stronger investor base, a brighter advertising market and a re-invigorated Board. We look forward to 2021 as a trading period that will start to normalise and present more acquisition opportunities as the reality of life begins to create pressures on those businesses who were less able to navigate the economy in 2020.

Financial review

As with most businesses, Digitalbox suffered from the economic impact created by the global COVID-19 pandemic. Advertising markets declined sharply, and ongoing uncertainty meant recovery took time. This heavily impacted our revenue expectation for Q2, and it wasn't until late into Q3 that advertising markets started to return to normal.

Further, the social media giants made changes to their content algorithms in order to counter misinformation attached to COVID-19, Black Lives Matter campaigns and also the US presidential elections. Changes within some of the ecosystems had some unforeseen negative impacts on legitimate sites and content that the platforms continue to try and rectify. The result of this saw a negative impact to traffic and revenues in Q3 and a recovery beginning in Q4 for Digitalbox.

Despite these dual challenges, thanks to swift and decisive action, we quickly adapted the business to mitigate the revenue shortfall as much as possible and, more importantly, ensuring the business maintained its cash reserves.

The Group therefore ended the year with virtually flat revenues of £2.2m, which the Board consider a significant achievement under the circumstances. These revenues are for the full 12 months of trading to 31st December 2020 versus 10 months of trading in 2019, but the outcome is a reassuring indicator of the resilience of the Digitalbox business model.

Gross profit of £1.7m (2019: £1.8m) also suffered a margin percentage decline due to the advertising rates falling during the sudden and dramatic global advertising market reduction, but still delivering healthy gross margins of 76% (2019: 82%).

Adjusted EBITDA for the year was £305k (2019: £525k), and our adjusted EBITDA margin was 13.9% (2019: 23.4%).

Digitalbox has a low capital expenditure requirement and is not working capital hungry. This, together with the successful £1.2m placing in October to a cornerstone investor and the securing of a CBILS loan of £450k in the same month, ensured that the business strengthened its balance sheet and cash reserves, ending the year with £1.9m of cash (2019: £0.5m).

Operating review

The Group's three current trading brands are Entertainment Daily, The Daily Mash and the newly acquired site, The Tab. Entertainment Daily produces and publishes online UK entertainment news covering TV, showbiz and celebrities. The Daily Mash produces and publishes online satirical news articles in its own distinctive style, and The Tab is the UK's largest student and youth culture site fuelled by a network of 33 local university sites. All three brands generate revenue from the sale of advertising in and around the content they publish.

Content and technology remain at the core of the Digitalbox offering. Article length, page speed, server set-up and advertising auctions are all refined for the mobile journey as we obsess about delivering the optimal user experience.

Our user base has grown 76% year-on-year as we have been successful in broadening our horizons through additional sites and content verticals and extended our reach of UK adults. Our growth reflects our focus; unlike many media companies we are not distracted by the need to manage declining print assets but instead are free to concentrate on consumer habits and profitability. Mobile is the device of choice for consumers and advertisers alike, and we know how to engage audiences and monetise them better than much of the UK market through this channel.

As with many of the trends that have been accelerated by COVID-19, we have clearly seen disproportionate advertising market growth benefitting the mobile audience segment.

Proprietary technology continues to evolve within Digitalbox, and our Graphene technology stack now powers Entertainment Daily, The Daily Mash and The Tab, ensuring the fastest experience for users and advertisers alike.

Our interest in making acquisitions remains strong, and The Tab has proved to be a great success since its acquisition at the end of September 2020. The disruption brought to the market by the pandemic created opportunities, and as time progresses we envisage seeing more businesses increasingly challenged and being made available to interested parties. Overlaying our model on two acquisitions so far has proved successful and we remain focused on repeating this to grow the business.

The Digitalbox team and infrastructure maintain capacity for further growth and acquisitions to deliver further expansion while operational efficiencies remain strong.

Mobile-first strategy

Our strategy to establish a mobile-first platform business with diversified brands that engage consumers at scale is clearly working with 85% of our audience on Entertainment Daily, The Daily Mash and The Tab being accessed through these devices. Having grown to more than 12m monthly unique users, we present a significant scale when compared to the more traditional UK publishing houses and our primary objective is to continue this expansion.

Mobile ad spending worldwide was growing well ahead of the wider digital market prior to the pandemic and the impact of COVID-19 only looks to have accelerated this trend. As part of our technology supporting our mobile-first strategy, we have built a proprietary video player called BOB. The BOB player is built to ensure optimal mobile performance and efficiency. Both Entertainment Daily and The Tab are presenting 'must-see TV previews' on their sites.

PROJECTED GLOBAL DIGITAL / MOBILE AD SPEND

	2019	2020	2021	2022	2023	2024
Global Digital Ad Spend \$bn*	318	348	397	438	466	507
Mobile % of total**	73%	76%	78%	79%	80%	-

*Group M Global End-of-Year-Forecast 2020 / ** Pubmatic 2020 Global Ad Trends/eMarketer (excludes 2024)

Portfolio expansion

Digitalbox is a highly cash-generative business enabling us to continue with this strategy despite the impact of COVID-19. As part of the development of our acquisition strategy, the Group acquired Tab Media Limited during the year.

Tab Media Limited operated the UK's most successful student and youth culture site, The Tab. The site was founded by three students at Cambridge in 2009 as a reaction to out-of-touch student papers. Since then it has exploded into one of the biggest youth media sites in Britain, speaking directly to Generation Z and engaging with over six million users a month.

Content is driven by a core team based in London who work with student journalists on 33 subsites across UK campuses. Not only is this an incredible opportunity to engage with this influential demographic, it also opens up a pool of smart journalist talent who may well be interested in getting involved in the broader Digitalbox business.

Growth from the existing portfolio

During the year, Entertainment Daily saw continued growth of its user-base, averaging 4.5m unique users per month which was up from 3.3m in 2019. The site continues to diversify its traffic sources as it builds out on other platforms, most notably Google. In addition to the growth seen from Google search traffic, we have experienced a continued rise in Google Discover traffic that in many ways, provides a similar user experience to Facebook Newsfeed. These channels combined saw growth of more than 100% year-on-year.

The Daily Mash was impacted in the year by Facebook's increasingly sensitive 'misinformation' algorithms repeatedly failing to identify and understand satirical content correctly and therefore reducing reach on our articles. We have seen consistently high levels of engagement when users are presented with our content, and a high proportion of The Daily Mash traffic comes from direct visits which increasingly offsets the issue. Dialogue continues with Facebook to help them understand and address the issue.

Also, the Daily Mash saw a big increase in audience for its TV show The Mash Report in Q2. With studio access closed, the show was delivered from the homes of our presenters through video conference facilities and grew its weekly viewer levels from 800k to well over 1m.

Technology

Our proprietary tech stack, named Graphene, is a key part of our success. As a mobile-first business, we have shaped Graphene to ensure we deliver the fastest page speeds across our sites along with the most efficient advertising transactions.

Graphene allows audience scale to build rapidly with the least resistance from the technology and is a significant contributing factor as to why we were able to turn a loss-making site (The Tab) to profitability within the first quarter of ownership.

COVID-19

Our main focus has been to protect our staff and stakeholders and in keeping with our regular operating model, we have used technology to best navigate the challenges brought by the pandemic. From the middle of March 2020, we took a strong steer from Alphabet's response to the developing issue and moved all staff to working from home ahead of the UK Government's enforced lockdown.

Additionally, as a precaution, we acted quickly in 2020 to access a CBILS loan of £0.45m to enable us to continue trading and delivering our strategy for growth even if the outcomes of the pandemic were more severe than expected, but this has yet to be needed.

In fact, the Group has performed well during the COVID-19 period; as detailed earlier in the report, after a dramatic downturn in Q2, advertising session values increased significantly as the year unfolded.

Culture and people

When we joined AIM, we said: 'We work in the ways that deliver the best results most efficiently. Rather than harbouring traditional views of office culture or adopting a one-size-fits-all approach, we mix office-based roles and home working arrangements, full-time and part-time positions, staff and freelance contributor agreements to marry the needs of the business with those of our people.'

This nimble approach meant we were better placed than many to adapt to the challenges of 2020. Our teams fully shifted to remote-working early and have been outstanding; adapting quickly and continuing to deliver. Good communication and a sense of inclusion are important to us, and so to adapt to the reduction in contact time, we have increased communication frequency through monthly newsletters and weekly leadership meetings alongside daily team meetings. We have also more recently introduced company-wide discussion groups via Zoom.

Recruiting and retaining the best people is crucial to the success of Digitalbox. We have had great success hiring younger talent on Entertainment Daily through its apprentice programme, we have recruited a tranche of new contributing writers on The Daily Mash, and the acquisition of The Tab brings an entirely new opportunity. With the local network of University sites having already proved a fantastic gateway to great staff on The Tab, we aim to make broader opportunities across our growing portfolio available to this amazing talent pool.

We aim to ensure our staff are rewarded fairly and have opportunities to progress within the business. All staff benefit from the company's life assurance scheme. All staff and their immediate families are able to access a free wellbeing & support programme including personalised healthy eating and exercise plans, mental health support, legal and medical advice and ways to prevent burnout. Senior staff also have access to a share options scheme.

I would like to thank all staff for their fantastic hard work during the last year and their valuable contribution to these results and promise a summer party for all in Bath when the law allows.

Outlook

Digitalbox has continued to develop its profitable UK platform business positioned directly in the mobile space and our buy and build strategy is enabling us to deliver our vision of creating a market-leading, mobile-first digital media business for the 21st century.

Since joining the AIM, we have seen the successful integration of The Daily Mash, and, more recently The Tab. Both of these acquisitions have proved the potential of our model, and give us continued confidence in our ability to build a larger portfolio of successful, profitable digital brands with this approach. We are actively evaluating potential targets on an ongoing basis and with cash at the bank and the ability to raise funds via the market, we have the flexibility to move on the right opportunities at speed.

We clearly all hope that the worst of the COVID-19 pandemic is now behind us, and as the vaccines roll out globally, economies will bounce back. With the UK set well with its vaccine program, we can look forward to a more positive market than we have experienced over the last 12 months. We firmly believe that with advertising trends continuing to be accelerated by the COVID-19 impact resulting in money moving into the mobile sector at a rapid pace, combined with a strengthening economy, we are perfectly placed to grow over the coming years.

James Carter
Chief Executive
26 March 2021

STRATEGIC REPORT

The Digitalbox Vision

We set out to build a new digital media business; one driven by profit and efficiency delivering high quality, engaging content to users at scale.

Our aim continues to be to acquire and transform digital media assets with potential through the application of the Digitalbox model.

Free from legacy issues, we have a proven ability to grow at speed by focusing on current and future trends; rapidly adapting to the habits of our audience and the needs of our commercial partners.

Consumer media habits

Our formative approach was informed by our recognition of the growth of 'push media' consumption, especially on mobile – where the most highly engaging and relevant content from publishers is pushed into users' feeds based on trending topics, article performance and their own behaviours and interests.

The content-surfacing algorithms will continue to be refined, delivering better user experience and higher rates of engagement and generating further growth of this type of consumption.

The major platforms (chiefly Facebook and Google) are continually competing for consumer time, and it is publishers of the most engaging content that will continue to benefit. In the last couple of years Google has developed its push content strategy via its Discover feed which is now making billions of content suggestions its 800m global mobile users.

Targeting consumers via an array of distribution channels is one thing but operating effectively enough to ensure maximum engagement is where the real skillset lies.

Whilst the tech duopoly continue to evolve their models, consumers continue to support other push media sources too, signing up to notifications, subscriptions and emails from their favourite media brands. We continue to see growth in all three of these areas.

Our approach

We believe in order to be successful in today's media environment a business, its brands and its people must be:

ENGAGING – The internet is dominated by platforms that compete for engagement and media brands that deliver the highest levels will prosper. Our teams' passion for their subjects, understanding of their audiences and expertise in producing truly compelling content consistently deliver market-leading levels of engagement.

AGILE – The landscape is constantly changing, and we are always ready to adapt, to seize opportunities and address challenges, taking effective tactical steps to deliver on strategy.

EFFICIENT – Efficiency matters because we regard profitable operation as the key to longevity. The digital market has seen many long bets against models that fail the profit test. Our teams use every tool to maximise their impact and efficiency.

Relevance

Our business is currently built around a UK audience focus which brings distinct benefits across our key disciplines:

- Our editorial content resonates strongly with our audiences, keeping our readers coming back again and again.
- Our key advertiser relationships all have a significant presence in our local market which is one of the world's most advanced marketing economies and they place the greatest value on high-quality UK traffic.

The addition of The Tab at the end of September 2020 with its hyper-local university sites adds even more depth to this element of our strategy.

Growth through acquisition

On our admission to AIM in February 2019, Digitalbox outlined a strategy to make investments in acquisitions to

grow the portfolio. In particular we intended to identify targets from three distinct categories; Legacy Publisher, First Wave Digital and Bedroom Start-Ups. In our view, each of these categories continue to face challenges around monetisation, operating profitability, audience growth and technology performance which can be addressed through the application of the Digitalbox model.

The completion of The Tab acquisition marked our second acquisition after The Daily Mash in 2019 as part of this plan and we continue to evaluate further potential targets.

In particular, we will identify assets that best align with our processes and enhance our existing portfolio to deliver the strategic vision. We will continue to seek out content verticals that offer the opportunity to scale against larger media organisations who are struggling to operate profitably at scale.

Growing valuable audiences

Entertainment Daily reaches a core demographic of 25-55 year old UK women; the power brokers of UK shopping. Being frequently in charge of the household budget they are passionate about the territory they control. They love brands that provide status and are always on the look-out for great deals they can share with their friends. Our audience has evolved to more than 4m per month and our channel diversification saw significant growth from Google sourced users.

The Daily Mash is consumed by savvy UK independent thinkers. These educated professionals respond to the brand's pitch-perfect skewering of the rich and infamous and its inventive and surreal takes on the absurdity of modern life. Influential among their peers thanks to their own finely-tuned view of the world, they are seen as selective and discerning. These 25-44 year olds are power-sharers of digital media who even in these challenging times continue to spread a smile.

The Tab was founded by three students at Cambridge in 2009 as a reaction to out-of-touch student papers. Since then it has exploded into one of the biggest youth media sites in Britain, speaking directly the UK's 15-24 year olds. They are the generation tasked with more responsibility than any other in the last 50 years. It will be their reinvention that heals the planet, that creates new ways of working and cares for our ageing population. The leaders of tomorrow, the global citizens who need to think in a more measured and considered fashion.

The three audiences have further scope for growth and cross-fertilisation as they continue to demonstrate increasing levels of engagement.

Mobile-optimised tech platform

We are able to quickly on-board new brands and businesses onto our mobile-first Graphene platform. This tech stack consists of a blend of technologies allowing our websites to flourish through an efficient, light touch commercial approach designed to maximise mobile profitability.

Graphene is a highly scalable and dynamic platform that assists content delivery at the highest speeds. This brings significant advantages to how our sites are experienced by users and also ranked by the key power brokers – especially Google and Facebook – as they evaluate the preferred destinations for users. Graphene also enables us to realise tech and serving costs on the acquisitions we make.

Graphene will continue to evolve via our tech roadmap for 2021.

Product development

While profitability is key, we continue to invest in the existing business. 2021 will see additional investment across Entertainment Daily, The Tab and The Daily Mash as we aim to deliver further meaningful growth from diversification of our key routes to audiences.

Pandemic Coverage

Our brands delivered coverage of the impacts of the pandemic each in a unique tone tuned to their respective audience. Entertainment Daily kept readers abreast of the impact on production of their favourite shows and popular celebrities personal struggles with the virus. The Tab launched its You Matter campaign highlighting mental health and loneliness issues facing students caused by the pandemic and The Daily Mash delivered winning satirical coverage with stories including *Five Smug Middle-Class Social Isolation Activities* and its take on panic buying *Waitrose Limits Food Sales To People With Detached Houses*.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue	7	2,187	2,240
Cost of sales		<u>(529)</u>	<u>(394)</u>
Gross profit		1,658	1,846
Administrative expenses		(1,823)	(2,303)
Other operating income	8	<u>24</u>	<u>-</u>
Operating loss	8	<u>(141)</u>	<u>(457)</u>
Memorandum:			
Adjusted EBITDA¹		305	525
Depreciation		(30)	(11)
Amortisation		(149)	(133)
Share based payments		(140)	(149)
Acquisition & listing costs		-	(689)
Direct costs of business combinations		(98)	-
Capital restructure costs		<u>(29)</u>	<u>-</u>
Loss from Operations		<u>(141)</u>	<u>(457)</u>
Finance costs	10	<u>(2)</u>	<u>(3)</u>
Loss before taxation and attributable to equity holders of the parent		<u>(143)</u>	<u>(460)</u>
Taxation	11	<u>(48)</u>	<u>23</u>
Loss after tax		<u>(191)</u>	<u>(437)</u>
All losses after taxation arise from continuing operations.			
There was no other comprehensive income for 2020 (2019: £NIL).			
		£	£
Loss per share			
Basic (continuing)	12	<u>(0.00198)</u>	<u>(0.00571)</u>
Loss per share			
Diluted (continuing)	12	<u>(0.00198)</u>	<u>(0.00571)</u>

¹Adjusted EBITDA is defined as the loss from operations after deducting depreciation, amortisation, share based payments, acquisition and listing costs, direct costs associated with business combinations and capital restructure costs.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £'000	Share premium £'000	Share based payment £'000	Retained (deficit)/ earnings £'000	Total equity £'000
Balance at 1 January 2019	20,488	19,164	32	(39,399)	285
Shares issued	843	10,710	-	-	11,553
Share issue costs	-	(117)	-	-	(117)
Equity settled share-based payments	-	-	149	-	149
Loss after tax	-	-	-	(437)	(437)
Balance at 31 December 2019	21,331	29,757	181	(39,836)	11,433
Shares issued	260	976	-	-	1,236
Share issue costs	-	(84)	-	-	(84)
Capital reduction	(20,428)	(19,500)	-	39,928	-
Equity settled share-based payments	-	-	140	-	140
Loss after tax	-	-	-	(191)	(191)
Balance at 31 December 2020	1,163	11,149	321	(99)	12,534

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		31 December 2020	31 December 2019
	Note	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	19	49
Intangible fixed assets	15	10,839	10,248
Total non-current assets		<u>10,858</u>	<u>10,297</u>
Current assets			
Trade and other receivables	16	1,047	1,407
Cash and cash equivalents	17	1,853	477
Total current assets		<u>2,900</u>	<u>1,884</u>
Total assets		<u><u>13,758</u></u>	<u><u>12,181</u></u>
LIABILITIES			
Current liabilities			
Trade and other payables	18	(449)	(488)
Lease liabilities	18	(2)	(24)
Bank loans	18	(25)	-
Corporation tax	18	(51)	(98)
Total current liabilities		<u>(527)</u>	<u>(610)</u>
Non-current liabilities			
Other payables	18	-	(8)
Lease liabilities	18	-	(2)
Bank loans	19	(465)	-
Deferred tax liability	20	(232)	(128)
		<u>(697)</u>	<u>(138)</u>
Total liabilities		<u>(1,224)</u>	<u>(748)</u>
Total net current assets		<u>2,373</u>	<u>1,274</u>
Total net assets		<u><u>12,534</u></u>	<u><u>11,433</u></u>
Capital and reserves attributable to owners of the parent			
Share capital	22	1,163	21,331
Share premium	24	11,149	29,757
Share based payment reserve	24	321	181
Retained deficit	24	(99)	(39,836)
Total equity		<u><u>12,534</u></u>	<u><u>11,433</u></u>

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities		
Loss from ordinary activities	(191)	(437)
Adjustments for:		
Income tax expense	48	-
Share based payments	140	149
Depreciation on property plant and equipment	30	11
Amortisation of intangible assets	149	133
Finance costs	2	22
Income tax paid	(109)	-
	<hr/>	<hr/>
Cash flows from operating activities before changes in working capital	69	(122)
Decrease / (increase) in trade and other receivables	518	(86)
Decrease in trade and other payables	(205)	(100)
	<hr/>	<hr/>
Cash generated/(used in) in operations	382	(308)
Investing activities		
Purchase of property, plant and equipment	-	(13)
Acquisition of subsidiary	(841)	(993)
Cash on acquisition	269	433
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(572)	(573)
Financing activities		
Finance costs	(2)	(22)
New loans and finance leases	440	33
Loan repayments	(24)	(7)
Issue of new share capital	1,236	1,240
Costs on issue of shares	(84)	(117)
	<hr/>	<hr/>
Net cash from financing activities	1,566	1,127
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,376	246
Cash and cash equivalents at beginning of the period	477	231
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	1,853	477
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

Reconciliation of net cash flow to movement in net funds:	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Net increase in cash and cash equivalents	1,376	246
New loans and finance leases	(440)	(33)
Loans acquired in business combinations	(50)	-
Repayment of loans	24	7
	<hr/>	<hr/>
Movement in net funds in the year	910	220
Net funds at 1 January	451	231
	<hr/>	<hr/>
Net funds at 31 December	1,361	451
	<hr/> <hr/>	<hr/> <hr/>

Breakdown of net funds

Cash and cash equivalents	1,853	477
Lease liabilities	(2)	(26)
Bank loans	(490)	-
	<hr/>	<hr/>
Net funds at 31 December	1,361	451
	<hr/> <hr/>	<hr/> <hr/>

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

Digitalbox plc is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office is 2-4 Henry Street, Bath, England, BA1 1JT. The Company is listed on AIM of the London Stock Exchange.

The principal activity of the Group during the year was the production of publishing content and the sale of advertising space.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 4.

2. STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED IN THE CURRENT FINANCIAL YEAR ENDED 31 DECEMBER 2020

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended standards and interpretations during the year that are applicable to the Group.

Definition of a Business (Amendments to IFRS 3)

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Group has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations. The amendments do not permit the Group to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business. See note 13 for disclosures relating to the Group's business combination occurring during the year ended 31 December 2020.

Other standards

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Group are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

3. NEW AND REVISED IFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

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

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity

instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Group does not expect any of the standards issued by the IASB, but not yet effective, to have a material impact on the group.

4. ACCOUNTING POLICIES

Principal accounting policies

The Group is a public Group incorporated and domiciled in the United Kingdom. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (“adopted IFRSs”) and those parts of the Companies Act 2006 which apply to companies preparing their financial statements under IFRSs. The financial statements are presented to the nearest round thousand (£’000) except where otherwise indicated.

Basis of Consolidation

The Group comprises a holding company, dormant subsidiaries and a trading company. All of these have been included in the consolidated financial statements in accordance with the principles of acquisition accounting as laid out by IFRS 3 Business Combinations.

Going concern

Notwithstanding the loss generated during the year of £191k (2019: £437k), the Group had closing net assets of £12,534k (2019: £11,433k), net current assets of £2,373k (2019: £1,274k) and cash at bank and in hand of £1,853k (2019: £477k).

The Group generated cash inflows from operating activities of £382k during the year, also benefitting from net cashflows from share issues amounting to £1,152k. The Group has remained cash generative during a difficult economic period which saw the profound impact of COVID-19.

In considering going concern, the Directors consider the current financial position and performance of the business, as well as reviewing financial information for a period of at least 12 months from the date of approval of the financial statements. Given the financial performance of the Group, the successful acquisition and integration of Tab Media and the expectations from forecast financial information, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Directors believe that they can continue to mitigate the impact of COVID-19 as has been demonstrably achieved in the year ended 31 December 2020, and accordingly continue to adopt the going concern basis in preparing the financial statements.

Business combinations and goodwill

Acquisitions of subsidiaries and business are accounted for using the acquisition method. The assets and liabilities and contingent liabilities of the subsidiaries are measured at their fair value at the date of acquisition. Any excess of acquisition over fair values of the identifiable net assets acquired is recognised as goodwill. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss accounts and is not subsequently reversed. Acquisition related costs are recognised in the income statement as incurred.

Transactions between wholly owned group members involving the hive-up or hive-across of trade and / or assets and liabilities are outside the scope of IFRS 3 on the grounds that they represent common control business combinations. The group has elected to apply IFRS 3 in accounting for all such transactions, which involves a full fair value exercise at the date of the transaction. This accounting

policy has been consistently applied to all such transactions and has been chosen on the grounds that the nature of these transactions is the amalgamation of acquired businesses into the existing trading business, which generally takes place shortly after the original acquisition.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

The Group monitors the performance obligations in accordance with IFRS 15 considering that the performance obligations are met upon the Group delivering the advertisement to the customer.

A receivable is recognised when the services are delivered at this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

Revenue from the sale of advertising space is recognised upon the advertisement being generated and the Group delivering the advertisement to the customer. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable future economic benefits will flow to the entity and the Group has satisfied the performance obligations. Revenue is not received in advance and therefore the Group does not account for contract liabilities.

Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The Group assesses its discount rate using its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- a) Fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is included in Payables in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is

depreciation over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the tangible fixed assets in the Statement of Financial Position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts any identified impairment losses.

Foreign currency

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pound sterling, which is the functional currency of the Group, and the presentational currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the Group Company's functional currency (foreign currencies) are recorded at rates of exchange prevailing on the dates of the transactions. At the reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of the gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income and expense in the period in which the operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates.

Intangible assets

Intangible assets include goodwill arising on the acquisition of subsidiaries and represents the difference between the fair value of the consideration payable and the fair value of the net assets that have been acquired. The residual element of Goodwill is not being amortised but is subject to an annual impairment review.

Also included within intangible assets are various assets separately identified in business combinations (such as brand value) to which the Directors have ascribed a commercial value and a useful economic life. The ascribed value of these intangible assets is being amortised on a straight-line basis over their estimated useful economic life, which is considered to be 7 years.

Other intangible assets purchased by the Group are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is recognised so as to write off the cost less their residual values over their useful lives, which is considered to be 3 years straight line.

Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument.

Contract liabilities

Contract liabilities comprise payments in advance of revenue recognition and revenue deferred due to contract performance obligation not being completed. They are classified as current liabilities if the contract performance obligations payments are due to be completed within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Contract liabilities are recognised initially at fair value and subsequently at amortised cost.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in profit or loss.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for facts that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast director of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Cash and cash equivalents

Cash and cash equivalents are recognised as financial assets. They comprise cash held by the Group and short-term bank deposits with an original maturity date of three months or less. Loss recognised previously in equity is included in profit or loss for the period.

Trade payables

Trade payables are initially recognised as financial liabilities measured at fair value, and subsequent to initial recognition measured at amortised cost.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deduction of all its liabilities. Equity instruments issued by the Group are recorded at the proceeds received net of direct issue costs.

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income on a straight-line basis over the vesting period.

Non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Fair value is calculated using the Black-Scholes model, details of which are given in note 23.

Pensions

The pension schemes operated by the Group are defined contribution schemes. The pension cost charge represents the contributions payable by the Group.

Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and provision for impairment. Depreciation is provided on all property plant and equipment, at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis over its expected useful life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful economic life.

The method of depreciation for each class of depreciable asset is:

Fixtures and fittings	- 25% straight line
Office equipment	- 25% reducing balance
Right-of-Use asset	- over term of lease

Impairment of Assets

Impairment tests on goodwill are undertaken annually at the balance sheet date. The recoverable value of goodwill is estimated on the basis of value in use, defined as the present value of the cash generating units with which the goodwill is associated. This is computed by applying an appropriate discount rate to the estimated value of future cash flows. When value in use is less than the book value, an impairment is recorded and is irreversible.

Other non-financial assets are subject to impairment tests whenever circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its estimated recoverable value (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Where it is not possible to estimate the recoverable value of an individual asset, the impairment test is carried out on the asset's cash-generating unit. The carrying value of property, plant and equipment is assessed in order to determine if there is an indication of impairment. Any impairment is charged to the statement of comprehensive income. Impairment charges are included under administrative expenses within the consolidated statement of comprehensive income.

Taxation and deferred taxation

Corporation tax payable is provided on taxable profits at prevailing rates.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill; and
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit.

Recognition of deferred tax assets is restricted to those instances where it is probable that future taxable profit will be available against which the asset can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Directors, who are responsible for allocating resources and assessing performance of the operating segments.

A business segment is a group of assets and operations, engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Executive Directors assess the performance of the operating segments based on the measures of revenue, profit before taxation (PBT) and profit after taxation (PAT). Central overheads are not allocated to business segments.

Government grants

Government grants are recognised when there is reasonable assurance that the grant conditions will

be met and the grants will be received, and are recognised as a separate component of other operating income, rather than being offset against the costs to which they relate.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Critical accounting judgements

Impairment of goodwill

Impairment of the valuation of the goodwill relating to the acquisition of subsidiaries is considered annually for indicators of impairment to ensure that the asset is not overstated within the financial statements. The annual impairment assessment in respect of goodwill requires estimates of the value in use (or fair value less costs to sell) of subsidiaries to which goodwill has been allocated. This requires the Directors to estimate the future cash flows and an appropriate discount factor, in order that the net present value of those cash flows can be determined. Discounted cash flow forecasts give due consideration to the impact of COVID-19 on the future cash flows, and are stress tested under a range of scenarios. In all instances, the headroom is sufficient to satisfy the Directors that there are no indicators of impairment based on circumstances that were present or could be reasonably foreseen at the reporting date.

Critical accounting Estimates

Amortisation of intangible assets

The periods of amortisation adopted to write down capitalised intangible assets requires judgements to be made in respect of estimating the useful lives of the intangible assets to determine an appropriate amortisation rate. Domain names and website costs are being amortised on a straight-line basis over the period during which the economic benefits are expected to be received, which has been estimated at 3 years. Intangible assets recognised in relation to the brand names are being amortised straight-line over 7 years.

Depreciation

The useful economic lives of tangible fixed assets are based on management's judgement and experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted retrospectively.

Share based payments expense

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. At the end of each reporting period the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

This requires a judgement as to how many options will meet the future vesting criteria as well as the judgements required in estimating the fair value of the options.

IFRS 16 discount rates

The Group estimates an appropriate discount rate based on an incremental rate of borrowing for the calculation of the IFRS 16 right-of-use assets. This requires judgement as to an appropriate discount rate.

Provision for bad and doubtful debts

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar ageing. The expected loss rates are based on the Group's historical credit losses experience over the twelve month period prior to the period end. Forward looking issues have been considered, including in relation to the ongoing impact of the COVID-19 pandemic. This has had an immaterial effect on the expected credit loss rate.

6. SEGMENTAL INFORMATION

A segmental analysis of revenue and expenditure is as follows:

2020	Entertainment Daily £'000	The Daily Mash £'000	The Tab £'000	Head Office £'000	Total 2020 £'000
Revenue	1,641	334	208	4	2,187
Cost of sales	(307)	(192)	(30)	-	(529)
Administrative expenses*	(447)	(40)	(71)	(819)	(1,377)
Other operating income	-	-	-	24	24
Adjusted EBITDA	887	102	107	(791)	305
Amortisation	-	-	-	(149)	(149)
Depreciation	-	-	-	(30)	(30)
Acquisition costs	-	-	-	(98)	(98)
Capital restructure costs	-	-	-	(29)	(29)
Share based payments	-	-	-	(140)	(140)
Finance costs	-	-	-	(2)	(2)
Tax	-	-	-	(48)	(48)
Profit/(loss) for the year	887	102	107	(1,287)	(191)

6. SEGMENTAL INFORMATION (continued)

2019	Entertainment Daily £'000	The Daily Mash £'000	Head Office £'000	Total 2020 £'000
Revenue	1,864	358	18	2,240
Cost of sales	(263)	(131)	-	(394)
Administrative expenses*	(288)	(60)	(973)	(1,321)
Other operating income	-	-	-	-
Adjusted EBITDA	1,313	167	(955)	525
Amortisation	-	-	(133)	(133)
Depreciation	-	-	(11)	(11)
Acquisition and listing costs	-	-	(689)	(689)
Share based payments	-	-	(149)	(149)
Finance costs	-	-	(3)	(3)
Finance income	-	-	-	-
Tax	-	-	23	23
Profit/(loss) for the year	1,313	167	(1,917)	(437)

*Administrative expenses exclude depreciation, amortisation, share based payments and acquisition and listing costs.

The segmental analysis above reflects the parameters applied by the Board when considering the Group's monthly management accounts.

	External revenue by location of customer		Total assets by location		Net tangible capital expenditure by location	
	31 December 2020 Continuing £'000	31 December 2019 Continuing £'000	31 December 2020 £'000	31 December 2019 £'000	31 December 2020 £'000	31 December 2019 £'000
United Kingdom	1,024	1,434	13,475	11,953	-	13
Europe	704	612	103	135	-	-
Rest of World	459	194	180	93	-	-
	<u>2,187</u>	<u>2,240</u>	<u>13,758</u>	<u>12,181</u>	<u>-</u>	<u>13</u>

7. REVENUE

	2020 £'000	2019 £'000
Revenue by stream is split:		
Advertising space	2,187	2,240
	<u>2,187</u>	<u>2,240</u>
Revenue by location is split:		
United Kingdom	1,024	1,434
Europe	594	612
Rest of world	569	194
	<u>2,187</u>	<u>2,240</u>

The Group had three customers whose revenue individually represented 10% or more of the Group's total revenue, being 23.3%, 17.5% and 10.0% respectively.

8. LOSS FROM OPERATIONS

	2020 £'000	2019 £'000
This is arrived at after charging/(crediting):		
Continuing operations		
Staff costs (see note 9)	1,078	953
Acquisition and listing costs	-	689
Direct costs of business combinations	98	-
Depreciation of property, plant & equipment	30	11
Amortisation of intangible fixed assets	149	133
Operating lease expense – property	24	17
Foreign exchange differences	(27)	19
Government grants	(24)	-
	<u>76</u>	<u>174</u>
Auditors' remuneration in respect of the Company	18	13
Audit of the Group and subsidiary undertakings	33	23
Auditors' remuneration – non-audit services – accounting service fees	-	9
Auditors' remuneration – non-audit services – taxation fees	-	5
Auditors' remuneration – transaction related services	25	124
	<u>76</u>	<u>174</u>

In 2020, government grants of £24k were received as part of the Government's initiatives to provide immediate financial support as a result of the COVID-19 pandemic. There are no future related costs associated with these grants which were received solely as compensation for costs incurred in the year.

9. STAFF COSTS

	2020 £'000	2019 £'000
Staff costs for all employees, including Directors consist of:		
Wages and salaries	838	716
Social security costs	90	79
Pensions	10	9
	<u>938</u>	<u>804</u>
Share based payment charge	140	149
	<u>1,078</u>	<u>953</u>

	2020 Number	2019 Number
The average number of employees of the group during the year was as follows:		
Directors	6	6
Management and administration	3	4
Content	11	9
	<u>20</u>	<u>19</u>

Directors' Detailed Emoluments

Details of individual Directors' emoluments for the year are as follows:

	Salary 2020 £'000	Consultancy 2020 £'000	Bonus 2020 £'000	Pension 2020 £'000	Total 2020 £'000	Total 2019 £'000
N Burton (resigned 17 February 2021)	25	-	-	-	25	22
J Carter	127	-	-	1	128	175
J Douglas	127	-	-	1	128	175
M Higginson	-	25	-	-	25	12
D Joseph	41	-	-	-	41	33
R Miller (resigned 17 February 2021)	18	17	-	-	35	27
J Treacy (resigned 28 February 2019)	-	-	-	-	-	22
	<u>338</u>	<u>42</u>	<u>-</u>	<u>2</u>	<u>382</u>	<u>466</u>

9. STAFF COSTS (continued)

All pension contributions represent payments into defined contribution schemes.

The Executive Directors have service contracts with the Company which are terminable by the Company or relevant director after a fixed term of 12 months followed by 6 months' notice.

The Directors' interest in the issued ordinary share capital of the Company was as follows:

	Shares of £0.01 31/12/2020		Shares of £0.01 31/12/2019	
James Carter	10,908,078	9.4%	10,908,078	12.1%
James Douglas	10,908,078	9.4%	10,908,078	12.1%
Nigel Burton	238,095	0.2%	238,095	0.3%
Sir Robin Miller	775,465	0.7%	775,465	0.9%

Details of the options over the Company's shares held by the directors are as follows:

	Type of Option	Options held at 31 December 2020	Exercise price £	Date of grant	Exercise period
James Carter	EMI option	1,504,404	0.14	28 February 2019	28 February 2022
James Douglas	EMI option	1,504,404	0.14	28 February 2019	28 February 2022

Further information on share options is included in note 23.

The market price of the shares at 31 December 2020 was 6.35p with a quoted range from throughout 2020 of 4.75p to 7.35p. The options vest based on performance criteria detailed in note 23.

10. FINANCE COSTS

	2020 £'000	2019 £'000
Interest charges paid for lease liabilities	1	1
Bank charges and interest payable	1	2
	<u>2</u>	<u>3</u>

11. TAXATION ON LOSS FROM ORDINARY ACTIVITIES

	2020 £'000	2019 £'000
Corporation tax	50	51
Adjustment in respect of prior periods	12	(58)
Deferred tax movement	(14)	(16)
	<u> </u>	<u> </u>
Tax credit for the year	48	(23)
	<u> </u>	<u> </u>

The tax assessed for the year differs from the standard rate of corporation tax in the UK applied to loss before tax.

	2020 £'000	2019 £'000
Total loss on ordinary activities before tax	(143)	(460)
	<u> </u>	<u> </u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019: 19%)	(27)	(87)
Effects of:		
Expenses not deductible for tax purposes	46	191
Income not taxable	(1)	-
Adjustments to prior periods	15	(58)
Deferred tax not recognised	-	(69)
Effect of changes in tax rates on deferred tax	15	-
	<u> </u>	<u> </u>
Tax credit for the year	48	(23)
	<u> </u>	<u> </u>

In the Budget on 3 March 2021, the Chancellor announced the intention to increase the main rate of UK corporation tax to 25% for the financial year beginning 1 April 2023. This was not substantively enacted at the balance sheet date.

Deferred tax at the balance sheet date has been measured using the newly enacted tax rate of 19% (2019: 17%) in these financial statements.

There were unused tax losses of £4.5m at the 31 December 2020, with the majority restricted for use within Digitalbox plc. No deferred tax asset has been recognised on these losses due to the uncertainty surrounding future profits and the restrictions on the application of the losses.

12. EARNINGS PER SHARE

	2020 £'000	2019 £'000
The earnings per share is based on the following:		
Continuing earnings post tax loss attributable to shareholders	(191)	(437)
	<u>96,425,598</u>	<u>76,597,859</u>
Basic weighted average number of shares	96,425,598	76,597,859
Diluted weighted average number of shares	<u>96,425,598</u>	<u>76,597,859</u>
	<u>(0.00198)</u>	<u>(0.00571)</u>
Basic earnings per share	(0.00198)	(0.00571)
Diluted earnings per share	<u>(0.00198)</u>	<u>(0.00571)</u>

Earnings/(Loss) per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods. IAS 33 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease earnings per share or increase the loss per share. The exercise price of the outstanding share options is significantly more than the average and closing share price. Therefore, as per IAS33 the potential ordinary shares are disregarded in the calculation of diluted EPS.

13. BUSINESS COMBINATIONS

On 30 September 2020 the Group acquired 100% of the ordinary shares in Tab Media Limited for a total consideration of £841,464. This investment is included in Digitalbox Publishing Ltd company's balance sheet at its fair value at the date of acquisition.

The completion accounts show a breakdown of the assets and liabilities of the acquired company to be as follows:

	Book value £'000	Fair value adjustment £'000	Fair value to Group £'000
Intangible fixed assets	-	622	622
Receivables	158	-	158
Cash and cash equivalents	269	-	269
Payables	(158)	-	(158)
Borrowings	(50)	-	(50)
Deferred tax arising intangible adjustment	-	(118)	(118)
Net assets on acquisition			<u>723</u>
Goodwill on acquisition			118
Total consideration			<u><u>841</u></u>
Discharged by:			841
Cash			<u><u>841</u></u>

Acquisition related costs (included in administrative expenses) amount to £98k.

The revenue and loss included in the Consolidated Statement of Comprehensive Income for the 3 months to 31 December 2020 was £208k and £107k pre-tax respectively.

The intangible fixed asset fair value adjustment is in relation to a brand asset.

14. TANGIBLE FIXED ASSETS

	IFRS 16 Right-of-Use Asset £'000	Office equipment £'000	Fixtures and Fittings £'000	Total £'000
Cost				
Balance at 1 January 2019	33	-	-	33
Additions on acquisition of subsidiary	-	12	2	14
Additions	-	13	-	13
	<u>33</u>	<u>25</u>	<u>2</u>	<u>60</u>
Balance at 31 December 2019	33	25	2	60
	<u>33</u>	<u>25</u>	<u>2</u>	<u>60</u>
Balance at 31 December 2020	33	25	2	60
	<u>33</u>	<u>25</u>	<u>2</u>	<u>60</u>
Accumulated depreciation				
Balance at 1 January 2019	-	-	-	-
Depreciation charge on owned assets	-	2	1	3
Depreciation charge on financed assets	8	-	-	8
	<u>8</u>	<u>2</u>	<u>1</u>	<u>11</u>
Balance at 31 December 2019	8	2	1	11
Depreciation charge on owned assets	-	6	1	7
Depreciation charge on financed assets	23	-	-	23
	<u>31</u>	<u>8</u>	<u>2</u>	<u>41</u>
Balance at 31 December 2020	31	8	2	41
	<u>31</u>	<u>8</u>	<u>2</u>	<u>41</u>
Net Book Value				
At 31 December 2020	<u>2</u>	<u>17</u>	<u>-</u>	<u>19</u>
At 31 December 2019	<u>25</u>	<u>23</u>	<u>1</u>	<u>49</u>
At 31 December 2018	<u>33</u>	<u>-</u>	<u>-</u>	<u>33</u>

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

	2020 £'000	2019 £'000
Tangible fixed assets owned	17	24
Right-of-Use tangible fixed assets	2	25
	<u>19</u>	<u>49</u>

14. TANGIBLE FIXED ASSETS (continued)

Information about the Right-of-Use assets is summarised below:

Net Book Value	2020 £'000	2019 £'000
Property	2	25
	<u>2</u>	<u>25</u>

Depreciation charge in respect of the Right-of-Use asset is as follows:

	2020 £'000	2019 £'000
Property	23	8
	<u>23</u>	<u>8</u>

15. INTANGIBLE FIXED ASSETS

GROUP	Goodwill Arising on Consolidation £'000	Other Intangible Assets £'000	Development costs £'000	Total £'000
Cost				
Balance at 1 January 2019	-	-	-	-
Arising on acquisition of subsidiary	-	-	35	35
Additions	9,492	854	-	10,346
	<u>9,492</u>	<u>854</u>	<u>35</u>	<u>10,381</u>
Balance at 31 December 2019	9,492	854	35	10,381
Arising on acquisition of subsidiary	118	622	-	740
	<u>9,610</u>	<u>1,476</u>	<u>35</u>	<u>11,121</u>
Balance at 31 December 2020	9,610	1,476	35	11,121
Accumulated amortisation				
Balance at 1 January 2019	-	-	-	-
Amortisation	-	102	31	133
	<u>-</u>	<u>102</u>	<u>31</u>	<u>133</u>
Balance at 1 January 2020	-	102	31	133
Amortisation	-	145	4	149
	<u>-</u>	<u>247</u>	<u>35</u>	<u>282</u>
Balance at 31 December 2020	-	247	35	282
Net Book Value				
At 31 December 2020	<u>9,610</u>	<u>1,229</u>	<u>-</u>	<u>10,839</u>
At 31 December 2019	<u>9,492</u>	<u>752</u>	<u>4</u>	<u>10,248</u>
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Amortisation is charged to administrative costs in the Statement of Comprehensive Income.

15. INTANGIBLE FIXED ASSETS (continued)

GOODWILL AND IMPAIRMENT

The carrying value of goodwill in respect of each cash generating unit is as follows:

	31 December 2020 £'000	31 December 2019 £'000
Entertainment Daily	9,171	9,171
The Daily Mash	321	321
The Tab	118	
	<u>9,610</u>	<u>9,492</u>

The Group is obliged to test goodwill annually for impairment, or more frequently if there are indications that goodwill and indefinite life intangibles might be impaired, due to the goodwill deemed to have an indefinite useful life. In order to perform this test, management is required to compare the carrying value of the relevant cash generating unit ("CGU") including the goodwill with its recoverable amount. The recoverable amount of the CGU is determined from a value in use calculation. It is considered that any reasonably possible changes in the key assumptions would not result in an impairment of the present carrying value of the goodwill.

Entertainment Daily

The recoverable amount of Entertainment Daily has been determined from a review of the current and anticipated performance of this unit. In preparing this projection, a discount rate of 7% has been used based on the weighted average cost of capital and a future growth rate of 3% has been assumed. It has been assumed investment in capital equipment will equate to depreciation over the year. The discount rate was based on the Company's cost of capital as estimated by management. After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates and discount rates, management is satisfied that it is highly improbable that such a change in key assumptions that the recoverable amount would be reduced below book value.

The Daily Mash

The recoverable amount of The Daily Mash has been determined from a review of the current and anticipated performance of this unit. In preparing this projection, a discount rate of 7% has been used based on the weighted average cost of capital and a future growth rate of 3% has been assumed. It has been assumed investment in capital equipment will equate to depreciation over the year. The discount rate was based on the Company's cost of capital as estimated by management. After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates and discount rates, management is satisfied that it is highly improbable that such a change in key assumptions that the recoverable amount would be reduced below book value.

The Tab

The recoverable amount of The Tab has been determined from a review of the current and anticipated performance of this unit. In preparing this projection, a discount rate of 7% has been used based on the weighted average cost of capital and a future growth rate of 3% has been assumed. It has been assumed investment in capital equipment will equate to depreciation over the year. The discount rate was based on the Company's cost of capital as estimated by management. After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates and discount rates, management is satisfied that it is highly improbable that such a change in key assumptions that the recoverable amount would be reduced below book value.

16. TRADE AND OTHER RECEIVABLES	31 December 2020 £'000	31 December 2019 £'000
Due after more than one year		
Prepayments and accrued income	-	18
	<u>-</u>	<u>18</u>
Trade receivables	758	1,037
Prepayments and accrued income	42	77
Other receivables	247	275
	<u>1,047</u>	<u>1,407</u>
	<u><u>1,047</u></u>	<u><u>1,407</u></u>
17. CASH AND CASH EQUIVALENTS	31 December 2020 £'000	31 December 2019 £'000
Cash at bank and in hand	1,853	477
	<u>1,853</u>	<u>477</u>
	<u><u>1,853</u></u>	<u><u>477</u></u>
18. LIABILITIES	31 December 2020 £'000	31 December 2019 £'000
Current liabilities		
Trade payables	84	54
Social security and other taxes	209	143
Accruals	147	237
Lease liabilities	2	24
Other payables	10	54
Bank loans	25	-
Corporation tax payable	50	98
	<u>527</u>	<u>610</u>
	<u><u>527</u></u>	<u><u>610</u></u>
Non-current liabilities		
Other payables	-	8
Lease liabilities	-	2
Bank loans	465	-
	<u>465</u>	<u>10</u>
	<u><u>465</u></u>	<u><u>10</u></u>

19. LOANS	31 December 2020 £'000	31 December 2019 £'000
Bank loans		
Due in less than one year	25	-
Due in between one and two years	122	-
Due in between two and five years	343	-
	<u>490</u>	<u>-</u>

On 7 October 2020, Digitalbox Publishing Limited drew down a loan facility amounting to £450k under the CBILS scheme. The present value of the loan at inception discounted at a market rate of interest was £440k. The loan is for a term of five years and is repayable in equal monthly instalments commencing in November 2021. Interest is charged at a fixed rate of 2.43% per annum, with the cost being fully subsidised by central Government for the first 12 months. The loan is secured by a debenture over the assets of the Digitalbox Publishing Limited and a £450k guarantee granted by Digitalbox plc.

Tab Media Limited; a business acquired by the group during the year, has an outstanding loan amounting to £50k. The loan is for a term of 6 years and is repayable in equal monthly instalments commencing in May 2021. Interest is charged at a fixed rate of 2.5% per annum, with the cost being fully subsidised by central Government for the first 12 months. The loan is unsecured.

20. DEFERRED TAX

	Total £'000
Balance at 1 January 2020	128
Deferred tax on acquisition of subsidiaries	118
Deferred tax (credit) for the year	(14)
Balance at 31 December 2020	<u>232</u>

The deferred tax provision comprises:	31 December 2020 £'000	31 December 2019 £'000
Deferred tax on intangibles	232	128
	<u>232</u>	<u>128</u>

The expected net reversal of deferred tax in 2020 is £40k.

21. FINANCIAL RISK MANAGEMENT

The Group is exposed to risks that arise from its use of financial instruments. These financial instruments are within the current assets and current liabilities shown on the face of the statement of financial position and comprise the following:

Credit risk

The Group is exposed to credit risk primarily on its trade receivables. The Group maintains its cash reserves at a reputable bank. It is group policy to assess the credit risk of each new customer before entering into binding contracts.

The maximum exposure to credit risk is represented by the carrying value in the statement of financial position. The credit risk on liquid funds is low as the funds are held at a bank with a high credit rating assigned by international credit agencies.

	31 December 2020 £'000	31 December 2019 £'000
Current financial assets		
Trade receivables	758	1,037
Other receivables	247	275
Cash and cash equivalents	1,853	477
	<u>2,858</u>	<u>1,789</u>

The table below illustrates the due date of trade receivables:

	31 December 2020 £'000	31 December 2019 £'000
Current	278	390
31 – 60 days	265	327
61 – 90 days	202	172
91 – 120 days	10	65
121 and over	3	83
	<u>758</u>	<u>1,037</u>

The table below illustrates the geographical location of trade receivables:

	31 December 2020 £'000	31 December 2019 £'000
United Kingdom	475	809
Europe	180	135
Rest of world	103	93
	<u>758</u>	<u>1,037</u>

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and repayments of its liabilities. The Group's policy is to ensure that it will have sufficient cash to allow it to

meet its liabilities when they become due and so cash holdings may be high during certain periods throughout the period.

The Group currently has no bank borrowing or overdraft facilities. The Group's policy in respect of cash and cash equivalents is to limit its exposure by reducing cash holding in the operating units and investing amounts that are not immediately required in funds that have low risk and are placed with a reputable bank.

Cash at bank and cash equivalents

	31 December 2020 £'000	31 December 2019 £'000
At the year end the Group had the following cash balances:	1,853	477

Cash at bank comprises Sterling and US Dollar cash deposits held within National Westminster. All monetary assets and liabilities within the group are denominated in the functional currency of the operating unit in which they are held. All amounts stated at carrying value equate to fair value.

	31 December 2020 £'000	31 December 2019 £'000
Financial liabilities at amortised cost		
Trade payables	84	54
Accruals	147	237
Lease liabilities	2	26
Bank loans	490	-
Other payables	10	4
	<u>733</u>	<u>321</u>

The table below illustrates the maturities of trade payables:

	31 December 2020 £'000	31 December 2019 £'000
Current	69	39
31 – 60 days	5	11
61 – 90 days	-	3
91 – 120 days	-	-
121 and over	10	1
	<u>84</u>	<u>54</u>

The Directors have considered expected credit losses under IFRS9 and have adopted the simplified approach to their evaluation as the Group has limited exposure to them. The Directors have provided for expected credit losses on a specific basis and this has led to the Group carrying a provision against trade debtors of £21k (£25k in 2019).

The table below shows the maturities of financial liabilities:

2020	Carrying amount £'000	6 months or less £'000	6-12 months £'000	1 or more year £'000
Trade payables	84	84	-	-
Accruals	147	142	5	-
Lease liabilities	2	2	-	-
Loans	490	-	25	465
Other payables	10	10	-	-
	<u>733</u>	<u>238</u>	<u>30</u>	<u>465</u>

2019	Carrying amount	6 months or less	6-12 months	1 or more year
	£'000	£'000	£'000	£'000
Trade payables	54	54	-	-
Accruals	237	237	-	-
Lease liabilities	26	12	12	2
Loans	-	-	-	-
Other payables	4	4	-	-
	<u>321</u>	<u>307</u>	<u>12</u>	<u>2</u>

Capital Disclosures and Risk Management

The Group's management define capital as the Group's equity share capital and reserves.

The Group's objective when maintaining capital is to safeguard its ability to continue as a going concern, so that in due course it can provide returns for shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it in the light of changes in the business and in economic conditions. In order to maintain or adjust the capital structure, the Group may from time-to-time issue new shares, based on working capital and product development requirements and current and future expectations of the Company's share price.

Share capital is used to raise cash and as direct payments to third parties for assets or services acquired.

Market risk

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group considers the interest rates available when deciding where to place cash balances.

Foreign currency risk

Foreign exchange transaction risk arises when individual Group operations enter into transactions denominated in a currency other than the functional currency. The principal risk arises from the Group's US based subsidiary, Digitalbox Inc. The general policy for the Group is to sell to customers in the same currency that services or goods are purchased in, reducing the transactional risk.

22. SHARE CAPITAL	No.	Value	No.	Value
	31 December 2020	£'000	31 December 2019	£'000
Called up share capital				
Allotted, called up and fully paid				
Ordinary shares of £0.01 each	116,332,457	1,163	90,251,726	903
Deferred shares of £0.0499 each	-	-	386,907,464	19,306
Deferred shares of £0.01 each	-	-	112,176,000	1,122
	<u>116,332,457</u>	<u>1,163</u>	<u>589,335,190</u>	<u>21,331</u>

On 20 May 2020 the shareholders resolved to cancel all of the Company's deferred shares as set out above, reducing share capital by £20.4m, and to reduce the share premium account by £19.5m. The Court approved this capital restructure on 30 July 2020, and this was subsequently certified at Companies House on 31 July 2020.

Shares issued and cancelled in the year to 31 December 2020:

Date	Description	No shares	Price/ share Pence	Gross share value £'000	Cash received £'000	Shares issued	Total consideration £'000
24.02.20	Issue of 1p shares	1,590,931	1	15	36	-	36
31.07.20	Cancellation of 4.99p shares	(386,907,464)	4.99	(19,306)	-	-	-
31.07.20	Cancellation of 1p shares	(112,176,000)	1	(1,122)	-	-	-
21.10.20	Issue of 1p shares	24,489,800	1	245	1,200	-	1,200
		<u>(473,002,733)</u>		<u>(20,168)</u>	<u>1,236</u>	<u>-</u>	<u>1,236</u>
As at 31 December 2020		116,332,457		1,163			
As at 31 December 2019		589,335,190		21,331			

Cash received does not include costs relating to share issues. In the year to 31 December 2020, costs of £84k were incurred relating to share issues and these costs were charged against share premium.

Share premium represents the total consideration received on each share issue less the gross share value.

23. SHARE BASED PAYMENTS

During the year, the Company incurred a £140k share based payment charge (2019: £149k).

During the year, 2,005,812 share options were cancelled and re-issued with a lower strike price. Owing to the reduction in strike price, the fair value of the new instruments is higher than those they replaced. These have been identified as replacement equity instruments and have been accounted for as a modification of the original instrument. As this modification was prior to the vesting date, the incremental amount is recognised over the remaining vesting period.

	2020 No. of share options	Weighted average exercise price	2019 No. of share options	Weighted average exercise price
Outstanding at beginning of year	5,343,905	14p	160,000	20p
Granted during the year	2,005,812	6.75p	6,186,811	14p
Cancelled during the year	(2,005,812)	14p	(1,002,906)	14p
Expired during the year	-	-	-	-
Outstanding at the end of the year	<u>5,343,905</u>	<u>11p</u>	<u>5,343,905</u>	<u>14p</u>
Exercisable at the end of the year	<u>329,285</u>	<u>17p</u>	<u>160,000</u>	<u>20p</u>

329,285 options are exercisable 1 year after admission.

5,343,905 options are exercisable after 3 years, or an exit event.

A Black-Scholes model has been used to determine the fair value of the share options on the date of grant. The fair value is expensed to the income statement on a straight-line basis over the vesting period, which is determined annually. The model assesses a number of factors in calculating the fair value. These include the market price on the date of grant, the exercise price of the share options, the expected share price volatility of the Company's share price, the expected life of the options, the risk-free rate of interest and the expected level of dividends in future periods.

For those options granted where IFRS 2 "Share-Based Payment" is applicable, the fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

	Risk free rate	Share price volatility	Share price at date of grant
17 April 2020	0.10%	65.00%	6.75p

Expected volatility was determined by calculating the historical volatility of the Company's share price for 12 months prior to the date of grant. The expected life used in the model is the term of the options.

The vesting conditions in relation to the share options are 3 years, or an exit event.

The vesting condition in relation to the warrants is 1 year from admission.

24. RESERVES

Full details of movements in reserves are set out in the consolidated statement of changes in equity. The following describes the nature and purpose of each reserve within owners' equity:

Share premium: Amount subscribed for share capital in excess of nominal value.

Retained earnings: Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

Share based payment reserve: Cumulative charges recognised in the consolidated statement of comprehensive income in relation to share based payments.

25. LEASING COMMITMENTS

Group as a lessee

The Group leasing arrangements for their head office.

Lease liabilities are due as follows:

	31 December 2020 £'000	31 December 2019 £'000
Current	2	24
Non-current	-	2
	<u>2</u>	<u>26</u>
	<u>2</u>	<u>26</u>

Contractual undiscounted cash flows are due as follows:

	31 December 2020 £'000	31 December 2019 £'000
Current	2	8
Non-current	-	27
	<u>2</u>	<u>35</u>
	<u>2</u>	<u>35</u>

There is not considered to be any significant liquidity risk by the Group in respect of leases.

The following amounts in respect of leases, where the Group is a lessee, have been recognised in the profit or loss:

	31 December 2020 £'000	31 December 2019 £'000
Interest expense on lease liabilities	1	1
Expenses relating to short-term leases	24	17
	<u>25</u>	<u>18</u>
	<u>25</u>	<u>18</u>

26. CAPITAL COMMITMENTS

At 31 December 2020 and 31 December 2019 there were no capital commitments.

27. RELATED PARTY TRANSACTIONS

At 31 December 2020, the Group was due £171k (31 December 2020: £171k) from James Carter and Jim Douglas, two Directors of the company. The outstanding balance is split equally between the directors and is included within trade and other receivables. The amounts are repayable either on sale of shares by the Directors, by prior charge over the proceeds of dividends or distributions due to the directors' net of tax or by prior charge over remuneration payments in excess of a pre-determined level. Interest is charged at 0.75% per annum.

Prior to the readmission of Digitalbox plc (formerly Polemos plc) onto AIM, and its subsequent acquisition of Digitalbox Publishing Holdings Ltd, James Carter and Jim Douglas each held shares in Digitalbox Publishing Holdings Ltd. It was agreed by the then board that these shares would form the basis for their physical shareholding in Digitalbox plc once the acquisition had completed and that the loans would transfer to the plc. The loan facility from the Company was part of a package to ensure key

management were sufficiently incentivised and locked into the success of the business. Where any individuals' personal bonus payment exceeds £100,000 in a calendar year, the excess will be used pay down these loans. The current board of Directors view this arrangement as satisfactory and believe it has served well to incentivise management.

During the year, Integral2 Limited billed £57k (2019: £43k) to the Group, a company related by virtue of David Joseph, a member of key management personnel, having control over the entity. As at 31 December 2020, £5k (2019: £5k) was owed to Integral2 Limited.

During the year, the Group received revenue of £1.5k (2019: £17k) from Immotion Group plc, a company related by virtue of Martin Higginson being a member of key management personnel of both entities. As at 31 December 2020, £nil (2019: £2k) was owed to the Group.

During the year, M Capital Investment Partners (Holdings) Limited billed £25k (2019: £23k) to the Group, a company related by virtue of Martin Higginson, a member of key management personnel, having control over the entity. As at 31 December 2020, £2.5k (2019: £nil), was owed to M Capital Investment Partners (Holdings) Limited.

During the year, Robin Miller Consultants Limited billed £17k (2019: £10k) to the Group, a company related by virtue of Robin Miller, a member of key management personnel, having control over the entity. As at 31 December 2020, £1.7k (2019: £nil), was owed to Robin Miller Consultants Limited.

The key management personnel are considered to be the Board of Directors. Their remuneration is disclosed in detail in note 9. Key management were remunerated £382k in the year ended 31 December 2020 (2019: £444k).

The key management personnel were provided 3,008,808 share options resulting in a charge of £99k in the period (2019: £93k).

COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2020

		At 31 December 2020 £'000	At 31 December 2019 £'000
Fixed assets			
Investments	III	10,990	11,192
		<u>10,990</u>	<u>11,192</u>
Current assets			
Trade and other receivables	IV	1,244	155
Cash and cash equivalents	V	99	22
		<u>1,343</u>	<u>177</u>
Current liabilities			
Trade and other payables	VI	(68)	(214)
Total current liabilities		<u>(68)</u>	<u>(214)</u>
Non-current liabilities			
Other payables		-	(8)
Total liabilities		<u>(68)</u>	<u>(222)</u>
Net current assets/(liabilities)		<u>1,275</u>	<u>(37)</u>
Total assets less total liabilities		<u><u>12,265</u></u>	<u><u>11,147</u></u>
Capital and reserves			
Called up share capital	VII	1,163	21,331
Share premium account		11,149	29,757
Share based payment reserve		321	181
Retained reserves		(368)	(40,122)
Shareholders' funds		<u><u>12,265</u></u>	<u><u>11,147</u></u>

The Company has taken advantage of the exemptions allowed under section 408 of the Companies Act 2006 and has not presented its income statement in these financial statements. The Group loss for the year included a loss on ordinary activities after tax of £174k (2019: £723k loss) in respect of the Company which is dealt with in the financial statements of the Parent Company.

The financial statements were approved by the Board and authorised for issue on 26 March 2021.

James Carter
CEO

David Joseph
CFO

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital £'000	Share Premium £'000	Share based payment £'000	Retained reserves £'000	Retained reserves £'000
1 January 2019	20,488	19,164	32	(39,399)	285
Issue of shares	843	10,710	-	-	11,553
Share issue costs	-	(117)	-	-	(117)
Loss after tax	-	-	-	(723)	(723)
Equity settled share-based payments	-	-	149	-	149
31 December 2019	<u>21,331</u>	<u>29,757</u>	<u>181</u>	<u>(40,122)</u>	<u>11,147</u>
Issue of shares	260	976	-	-	1,236
Share issue costs	-	(84)	-	-	(84)
Capital reduction	(20,428)	(19,500)	-	39,928	-
Profit after tax	-	-	-	(174)	(174)
Equity settled share-based payments	-	-	140	-	140
31 December 2020	<u>1,163</u>	<u>11,149</u>	<u>321</u>	<u>(368)</u>	<u>12,265</u>

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities		
Loss from ordinary activities	(174)	(723)
Adjustments for:		
Dividend income	(238)	-
Impairment of fixed asset investments	238	
Share based payments	140	149
	<hr/>	<hr/>
Cash flows from operating activities before changes in working capital	(34)	(574)
(Increase)/Decrease in trade and other receivables	(1,089)	62
Decrease in trade and other payables	(154)	(260)
	<hr/>	<hr/>
Cash used in operations	(1,277)	(772)
Investing activities		
Acquisition of subsidiaries	(36)	(993)
Cash on acquisition	-	433
Dividend income	238	-
	<hr/>	<hr/>
Net cash absorbed from investing activities	202	(560)
Financing activities		
Issue of new share capital	1,236	1,240
Costs on issue of shares	(84)	(117)
	<hr/>	<hr/>
Net cash from financing activities	1,152	1,123
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	77	(209)
Cash and cash equivalents at beginning of the period	22	231
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	99	22
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net debt:		
Net increase/(decrease) in cash and cash equivalents	77	(209)
New loans and finance leases	-	-
Repayment of loans	-	-
	<hr/>	<hr/>
Movement in net debt in the year	77	(209)
Net funds at 1 January	22	231
	<hr/>	<hr/>
Net funds at 31 December	99	22
	<hr/> <hr/>	<hr/> <hr/>

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

I. ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by the Act the separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The principal accounting policies adopted are the same as those set out in note 4 to the consolidated financial statements except as noted below:

Valuation of investments

Investments in subsidiaries are stated at cost less any provision for impairment in value.

II. OPERATING LOSS

The auditor remuneration for audit and other services is disclosed in note 8 to the consolidated financial statements.

The average number of employees of the company during the year was 6 (2019: 6) and total staff costs were £408k (2019: £466k). Directors remuneration is disclosed in note 9 to the consolidated financial statements.

The operating loss is stated after charging an impairment loss on the investment in Mashed Productions Limited amounting to £238k (2019: £nil). This impairment loss is reflective of the receipt of dividend income from this subsidiary amounting to £238k, which was subsequently dissolved on 10 March 2020 following an earlier hive across of trade to Digitalbox Publishing Limited. The impairment arose owing to the realisation of the distributable reserves, and these two transactions have had a net £nil effect on the result for the year.

III. FIXED ASSET INVESTMENTS	31 December 2020 £'000
Subsidiary undertakings	
Cost	
Balance at 1 January 2020	11,192
Additions	36
Disposals	-
	<hr/>
Balance at 31 December 2020	11,228
Provisions	
Balance at 1 January 2020	-
Charge for the year	238
	<hr/>
Balance at 31 December 2020	238
	<hr/>
Carrying value of investments	<u>10,990</u>

At the year end the Company had the following subsidiaries:

Subsidiary name	Class of shares	Proportion of ownership	Registered office
Digitalbox Publishing Limited	Ordinary	100% Indirect	2-4 Henry Street, Bath, BA1 1JT
Digitalbox Inc	Ordinary	100% Direct	19 Courtland Drive, Hudson, MA 01749
Digitalbox Publishing (Holdings) Limited	Ordinary	100% Direct	2-4 Henry Street, Bath, BA1 1JT
Tab Media Limited	Ordinary	100% Indirect	Jubilee House, 92 Lincoln Road, Peterborough, PE1 2SN
Subsidiary name		Principal activity	
Digitalbox Publishing Limited		Sale of digital advertising space	
Digitalbox Inc		Sale of digital advertising space	
Digitalbox Publishing (Holdings) Limited		Dormant subsidiary	
Tab Media Limited		Publishing activities	

IV. RECEIVABLES: due within one year	31 December 2020 £'000	31 December 2019 £'000
Amounts owed by group undertakings	1,213	136
Other receivables	10	10
Prepayments and accrued income	21	9
	<hr/>	<hr/>
	1,244	155
	<hr/>	<hr/>

V. CASH AND CASH EQUIVALENTS	31 December 2020 £'000	31 December 2019 £'000
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Cash at bank and in hand	99	22
	<u>99</u>	<u>22</u>

VI. PAYABLES: amounts falling due within one year

	31 December 2020 £'000	31 December 2019 £'000
Trade payables	5	3
Accruals	38	148
Other tax and social security	16	13
Other payables	9	50
	<u>68</u>	<u>214</u>

VII. SHARE CAPITAL

Details of the Company's share capital and the movements in the period can be found in Note 22 to the consolidated financial statements.

VIII. SHARE OPTIONS

Share Option Scheme

Details of the share options outstanding at 31 December 2020 can be found in Note 23 to the Consolidated financial statements.

IX. RESERVES

Details of the reserves can be found in Note 24 to the Consolidated financial statements.

X. RELATED PARTY TRANSACTIONS

Details of the Company's related party transactions can be found in Note 27 to the consolidated financial statements.