

28 March 2023

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

Final Audited Results for the year ended 31 December 2022

Digitalbox plc, the mobile-first digital media business, which owns leading websites Entertainment Daily, The Daily Mash, The Poke and The Tab, today publishes its final audited results for the year ended 31 December 2022.

The Company will host a live investor presentation through the Investor Meet Company platform today at 10.00am (further details below).

Financial Highlights

	2022	2021	Variance
	£'000	£'000	
Group revenue	3,578	3,667	-2.4%
Gross profit	3,044	3,138	-3.0%
Adjusted EBITDA ⁽¹⁾	1,081	1,029	+5.1%
Adjusted EBTDA margin ⁽¹⁾	30.2%	28.1%	+2.1ppts
Cash generated by operations	1,418	586	+142%
Gross cash	2,827	2,186	+29%
Net Cash	2,509	1,755	+43%

(1) Adjusted EBITDA is defined as the operating profit after adding back depreciation, amortisation, impairment, share based payments, acquisition costs, direct costs associated with business combinations and capital restructure costs

Operational Highlights

- Encouraging progress across the portfolio despite challenging market conditions. Audience levels in terms of sessions increased by 7% to 293m
- Successfully acquired The Poke in December 2022. Integration has been smooth and the brand has been re-platformed to start to benefit from the Company's Graphene technology stack and drive its commercial success
- Graphene Ad Stack (GAS) now powers Entertainment Daily, The Daily Mash, The Tab and, most recently, The Poke, enabling market-leading performance and optimisations to be rapidly applied
- Exchanged contracts on the acquisition of the assets of tvguide.co.uk which is expected to complete in H1 2023
- The Tab successfully paid back 100% of its purchase costs within the period
- Entertainment Daily saw overall sessions (visits) growth of 17% YoY
- Launch of the Entertainment Daily Awards attracted more than 150k votes and national coverage including the opening segment of ITV's This Morning

- The launch of an ad-free premium content experience on The Daily Mash continues to show encouraging signs with over 1,400 monthly subscribers

Current trading and outlook

- Acquisitions of The Daily Mash, The Tab and The Poke 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
- Trading for the current financial year remains in line with expectations with advertising markets expected to bounce back as we head into 2024

James Carter, CEO, Digitalbox plc, said: "Digitalbox delivered a solid performance in 2022, despite some challenging market conditions. The growth we have achieved in profitability and cash generated, is a testament to the agility and hard work of our teams enabling us to navigate a volatile trading environment.

We successfully delivered profitable growth and made significant progress in delivering our strategy of building a leading mobile-focused media business, developing an enlarged portfolio, attracting new audiences, and monetising them effectively.

Current trading remains in line with market expectations and our expanded portfolio is primed for future growth when the economy returns. The business is well placed to deal with any foreseeable challenges in 2023 and to take advantage of further acquisition opportunities given our ability to quickly improve margins and recover purchase costs."

Investor Presentation - Investor Meet Company

Digitalbox will also provide a live investor presentation through the Investor Meet Company platform today at 10.00am. 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> .

Investors who have already registered and added to meet the Company will be automatically invited.

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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Digitalbox

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About Digitalbox plc

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

Digitalbox operates the following trading brands, "Entertainment Daily", "The Daily Mash", "The Tab", and "The Poke". Entertainment Daily produces and publishes online UK entertainment news covering TV, showbiz 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. The Poke expertly curates and editorialises the funniest content from around the web and social media.

Digitalbox primarily 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 plc ('Digitalbox') successfully delivered an Adjusted EBITDA* for 2022 of £1.1m, an increase of 5.1% on the prior year and, importantly, the business increased profitability with the Adjusted EBITDA margin of 30.2% compared to 28.1% in the prior year.

The business maintained its strategic focus delivering a 'mobile first' media operation at scale through the use of leading technologies to optimise both audience engagement and commercial performance. As the mobile channel represents the key segment of the fast-growing digital advertising market, we continue to see this as an excellent area to operate within.

The aftershocks of the global pandemic together with the war in Ukraine had a profound impact on global food and energy prices which have negatively impacted consumer spending power and, in turn, advertising spend. The result was a highly volatile trading environment in 2022 which was well navigated by the management team. We reported seeing the headwinds arriving in the middle of the year and the team adapted to deliver full year revenues of £3.6m and Adjusted EBITDA within market guidance.

Digitalbox closed the year with gross cash of £2.8m which is £0.6m up on the prior year and with net cash (gross cash less bank debt) of £2.5m which is £0.7m up on the prior year.

On the acquisition front, in accordance with Digitalbox's stated buy and build strategy, we have exchanged contracts on the acquisition of the assets of tvguide.co.uk ltd and completed the purchase of The Poke, the latter having hit the ground running and demonstrating its potential from the outset. The acquisition of tvguide.co.uk is expected to complete in H1 2023.

With the enlarged portfolio of Entertainment Daily, The Daily Mash, The Tab, The Poke and tvguide.co.uk, the business will be well placed to deal with the challenges of 2023 and to take advantage of further acquisition opportunities that the trading conditions will likely bring to the fore.

Marcus Rich
Chairman
27 March 2023

**Adjusted EBITDA is defined as the operating profit after adding back depreciation, amortisation, impairment, share based payments, acquisition costs, direct costs associated with business combinations and capital restructure costs*

CHIEF EXECUTIVE'S STATEMENT

2022 was another significant year for Digitalbox, once again delivering profitable growth and making further progress on our strategy of building a leading mobile-focused media business. We developed our portfolio with the addition of The Poke, attracted new audiences and monetised them effectively. The successful year-end outcome has been greatly aided by our knowledge, focus and agility allowing us to drive benefit from our strategic positioning and navigate challenging trading environments.

With the economic turmoil arising from the pandemic, the war in Ukraine and other issues within the UK economy itself, marketers continue to choose media which presents the most accountable and relevant commercial solutions within the marketing mix, in particular mobile digital media. As we have continued to develop our audience verticals we are now the most significant online publisher of humour/comedy content in the UK and one of the largest publishers for women, continuing to benefit from the market movement towards quality advertising inventory at scale.

Financial review

We are pleased to deliver Adjusted EBITDA* of £1.1m, which reflected an increase of 5.1% on the prior year and a margin of 30.2% (2021: 28.1%). Cash generation is a key feature of this business and we closed the year with gross cash of £2.8m, an uplift of £0.6m on the prior year and with net cash (gross cash less bank debt) of £2.5m an uplift of £0.7m on the prior year.

These cash increases are despite the business having continued to invest in its products and having acquired The Poke in an all-cash purchase towards the end of the year. This underlines the cash generative nature of the business delivering Cash Generated by Operations of £1.4m which is 131% of Adjusted EBITDA.

Full year revenues of £3.6m are 2.4% down overall on 2021 but mask the challenging macro trading environment of 2022 which saw the Group's underlying revenues up 40% in H1 and down 27% in H2 on the same periods in the prior year

The revenue model for The Daily Mash changed from purely consumer advertising dependent to a hybrid subscription model during the year, which required the Directors to provide for a full impairment of the carrying value of this cash generating unit. Accordingly, an impairment charge of £716k has been charged to the profit and loss account.

Operating review

Digitalbox currently owns and operates four trading brands – Entertainment Daily, The Daily Mash, The Tab and The Poke. Entertainment Daily produces and publishes online UK entertainment news covering TV, showbiz and celebrities. The Tab is the UK's largest student and youth culture site fuelled by a London-based core team and a national network of 30 local university sites. The Daily Mash delivers online satirical news articles in its own distinctive style and The Poke expertly curates the funniest content from around the web and social media. All four brands generate revenue from advertising in and around the content they publish.

Whilst 2022 was a year of continued uncertainty, it further demonstrated the effectiveness of the digital advertising medium as its share grew to 65% of global ad spend. As post-pandemic trends continued to evolve the adoption of ecommerce via the most personal of channels, the mobile device, continued to grow. With Digitalbox's mobile-first focus, we were well positioned in 2022 and remain very well placed for the forecast growth over coming years.

Our audience levels in term of sessions increased by 7% to 293m. As well as building out further content strands to our existing brands we invested in acquiring The Poke, with the deal completing in December 2022. Integration has been smooth and we have quickly re-platformed the brand to gain benefit from our technology stack and drive its commercial success.

Compelling content remains at the core of the Digitalbox offering, created by talented teams with an expert understanding of their respective audiences. We marry their expertise with our proprietary mobile-first tech stack, Graphene. Named after the incredibly fast, light, super-conductive material, Graphene has been developed to deliver the best user experience through the fastest and lightest page load speeds on mobile.

Alongside this highly optimised, low-friction content delivery, part of the Graphene suite, the Graphene Ad Stack (GAS) now powers Entertainment Daily, The Daily Mash, The Tab and, most recently, The Poke. We are seeing significant value creation here as The Poke's improved data from our deployment of GAS has enabled it to significantly grow advertising session values within the early stages of our ownership.

As our portfolio expands GAS's role in optimising revenue performance across the business and speeding the route to enhanced profitability for acquired properties is key for us.

The Tab has proved to be a great success since its acquisition at the end of 2020 having fully paid back its purchase costs within the first two years and we hope to deliver similar results with The Poke. We continue to evaluate further acquisitions and have seen a significant increase in opportunities as other publishers with lower margin headroom endured challenging trading conditions in 2022. We remain ready to move quickly where we can realise the appropriate value.

The Digitalbox team was scaled during 2022 to bring capacity for further growth on our existing brands and to ensure any acquisitions can be quickly integrated, whilst operational efficiencies will remain strong.

Leading as a mobile-first business

Our strategy to create a mobile-first business has helped position us as a leader in the market for both audience engagement and monetisation. Push media skills remain critical and our brands continue to engage consumers at scale through this channel with 91% of our audience across the portfolio visiting on mobile devices. With an average of over 24m monthly user visits to our sites, we present truly significant user scale to the market especially when combined with our capacity to engage.

Mobile advertising spend was growing well ahead of the economic issues of 2022 and we anticipate its acceleration once we emerge from this challenging period. As part of our Graphene technology suite that supports our mobile-first strategy, we have built a new Graphene Ad Stack (GAS) which enables optimisations to be rapidly applied. As previously reported, our GAS set up on The Tab quickly drove it to profitability and we are seeing similar results on The Poke. This will give Digitalbox a distinct advantage as we look to further optimise our existing portfolio, complete more acquisitions and benefit from the forecast growth in the digital ad market.

PROJECTED GLOBAL DIGITAL / MOBILE AD SPEND

	2022	2023	2024	2025	2026
Global digital ad spend \$bn*	567	627	696	766	836
Mobile share of global digital ad spend*	65%	67%	69%	71%	73%

*Source: eMarketer, Oct 2022 <https://www.insiderintelligence.com/content/worldwide-digital-ad-spending-2023>

Portfolio growth

Humour curation site The Poke is the most recent addition to the Digitalbox portfolio, with its acquisition completing in December. We feel The Poke is an excellent stablemate for The Daily Mash with a distinct editorial proposition of its own. It brings 1m social followers.

Entertainment Daily saw overall session (visits) growth of 17% year-on-year despite Google algorithm changes causing some challenges. Google accounted for 25m sessions in 2022 and Facebook also performed well in the first half of the year contributing to record organic traffic levels in Q1. The editorial team continued to hit all the TV and showbiz stories as the news broke, maximising traffic and social engagement around moments that caught the nation's imagination. This year also saw the launch of the Entertainment Daily Awards, which attracted more than 150k votes and national coverage including the opening segment of ITV's daytime flagship, This Morning.

The Tab continues to perform on strategy delivering consistent positive contribution now we have transitioned it onto our Graphene platform which will enable further optimisations going forward. This year saw another year of strong, campaigning editorial alongside its established output in entertainment and culture coverage, new hires into the social and editorial team and increased content output from its 30 local teams.

The Daily Mash had a steady year of recovery growing back from the Facebook strike that caused problems in H1 when the platform struggled to identify the difference between fictional individuals identified in satire and mainstream news articles. With a highly loyal core audience and genuinely unique content, the Mash represented an ideal opportunity to diversify its revenue sources. Our launch of an ad-free premium content experience behind a paywall continues to show encouraging signs with 1,400 monthly subscribers. The impact of the brand was further extended with The Late Night Mash TV show returning for a second series on UK TV's Dave channel. This season the show had a well-received new host in the form of Rachel Parris and continued to perform well with audience levels once again placed it in the top three programmes for the channel.

Culture and people

We remain focused on creating a culture that enables talented people to do their best work. Even before the pandemic that meant being flexible and agile rather than harbouring traditional views of office culture or adopting a one-size-fits-all approach. We continue to mix office-based roles and remote 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. A hybrid scenario of both home and office working is what we have found most successful.

During the year our teams fully embraced flexible working while delivering great results. Good communication and a sense of inclusion are important to us, so we continue to publish monthly all-staff updates on progress and stage weekly leadership sessions alongside daily team meetings. Building on this, in July we held our second all-staff conference and party in Bath followed by a December trip to London's Winter Wonderland, both providing fantastic opportunities for the entire company to gather and share ideas.

Recruiting and retaining great people is crucial to our growth. Our success hiring younger talent on Entertainment Daily through its apprentice programme has continued along with new development opportunities, training and development for more senior staff. The Daily Mash has strengthened its commissioning team and we have used The Tab's outreach network to bring new writing talent onto the site.

Everyone at Digitalbox benefits from the company's life assurance and pension schemes and we aim to ensure our staff are rewarded fairly and have opportunities to progress within the business. All team members and their immediate families have access to our free wellbeing and support programme including personalised healthy eating and exercise plans, mental health support, legal and medical advice and ways to prevent burnout. A share options scheme also exists for senior staff.

I would like to take the opportunity to thank all Digitalbox staff for their incredible hard work and enthusiasm during the last year and their valuable contribution to these results. As the company continues to grow it's a pleasure to be working with such a talented and committed team.

Business outlook

Digitalbox has continued to develop as a profitable UK digital media business positioned squarely in the mobile space.

Despite the highly challenging macroeconomic environment, global digital advertising spend is forecast to grow by more than 40% in the next four years. The market reaction to both economic and health-related turbulence of the last few years has accelerated the trends which benefit Digitalbox, pushing the business to the forefront as mobile devices' share is forecast to shift from 65% of all digital ad spend in 2022 to 70% in 2027 and our content and tech teams continue to strengthen delivery through this channel.

Beyond the advertising market, entertainment production houses are expected to increase their spend to over £10bn for UK TV in 2023, providing increasing engagement from both the big terrestrial channels and the streamers. This increasing investment stimulates our various audiences leading to big shows like I'm a Celebrity Get Me Out Of Here and Love Island showing record engagement on our sites in 2022.

The three acquisitions completed since being listed on AIM – The Daily Mash, The Tab and The Poke – have all proved the potential of our model, giving us confidence we can continue to create growth within the portfolio and make further acquisitions when the fit is right.

Whilst 2021 saw a strong recovery from the pandemic and the markets adjusted to work with the new realities attached to changed consumer behaviour, 2022 was a clear story of two halves. The trend towards digital and mobile advertising spend continued accelerating in the first half followed by a second half slowdown driven by the global impact of spiralling energy and food prices impacting consumer spending power. With global economies subject to these headwinds into H1 2023, the open ad market is a good place to be as it has the ability to adapt in real time. Global commentary points towards the market recovering in the second half of 2023 with a full return forecast for 2024. We have no reason to doubt these predicted changes and are confident the business is very well placed for the returning market.

We enter 2023 with an expanded portfolio primed for future growth when the economy returns, a stronger investor base and a confident digital advertising sector expected to significantly increase its share of global ad spend over coming years.

James Carter
Chief Executive
27 March 2023

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Revenue	7	3,578	3,667
Cost of sales		(534)	(529)
Gross profit		3,044	3,138
Administrative expenses		(2,999)	(2,508)
Other operating income	8	-	10
Operating profit	8	45	640
Memorandum:			
Adjusted EBITDA¹		1,081	1,029
Depreciation		(7)	(31)
Amortisation		(191)	(215)
Impairment of goodwill and intangible assets		(716)	-
Share based payments		(62)	(143)
Direct costs of business combinations and capital restructure		(60)	-
Profit from Operations		45	640
Finance costs	10	(8)	(14)
Finance income		8	1
Profit before taxation and attributable to equity holders of the parent		45	627
Taxation	11	759	(231)
Profit after tax		804	396
All profits after taxation arise from continuing operations.			
There was no other comprehensive income for 2022 (2021: £NIL).			
		£	£
Gain per share			
Basic (continuing)	12	0.00683	0.00340
Gain per share			
Diluted (continuing)	12	0.00670	0.00335

¹Adjusted EBITDA is defined as the operating profit after adding back depreciation, amortisation, impairment, share based payments, acquisition costs, direct costs associated with business combinations and capital restructure costs.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital 2022 £'000	Share premium 2022 £'000	Share based payment 2022 £'000	Retained (deficit)/ earnings 2022 £'000	Total equity 2022 £'000
Balance at 1 January 2021	1,163	11,149	321	(99)	12,534
Equity settled share-based payments	-	-	143	-	143
Profit after tax	-	-	-	396	396
Balance at 31 December 2021	1,163	11,149	464	297	13,073
Issue of new shares	16	20	-	-	36
Equity settled share-based payments	-	-	62	-	62
Reserves transfer in respect of lapsed options	-	-	(330)	330	-
Profit after tax	-	-	-	804	804
Balance at 31 December 2022	1,179	11,169	196	1,431	13,975

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

		31 December 2022	31 December 2021
	Note	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	52	46
Intangible fixed assets	14	10,194	10,710
Deferred tax asset	19	617	-
Total non-current assets		<u>10,863</u>	<u>10,756</u>
Current assets			
Trade and other receivables	15	952	1,770
Cash and cash equivalents	16	2,827	2,186
Total current assets		<u>3,779</u>	<u>3,956</u>
Total assets		<u><u>14,642</u></u>	<u><u>14,712</u></u>
LIABILITIES			
Current liabilities			
Trade and other payables	17	(288)	(739)
Lease liabilities	17	-	(29)
Bank loans	17	(112)	(112)
Corporation tax	17	(61)	(163)
Total current liabilities		<u>(461)</u>	<u>(1,043)</u>
Non-current liabilities			
Lease liabilities	17	-	(2)
Bank loans	17	(206)	(319)
Deferred tax liability	19	-	(275)
		<u>(206)</u>	<u>(596)</u>
Total liabilities		<u>(667)</u>	<u>(1,639)</u>
Total net current assets		<u>3,318</u>	<u>2,913</u>
Total net assets		<u><u>13,975</u></u>	<u><u>13,073</u></u>
Capital and reserves attributable to owners of the parent			
Share capital	21	1,179	1,163
Share premium	23	11,169	11,149
Share based payment reserve	23	196	464
Retained earnings	23	1,431	297
Total equity		<u><u>13,975</u></u>	<u><u>13,073</u></u>

The financial statements were approved by the Board and authorised for issue on 27 March 2023.

James Carter
CEO

David Joseph
CFO

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Cash flows from operating activities		
Profit from ordinary activities	804	396
Adjustments for:		
Income tax expense	(759)	231
Share based payments	62	143
Depreciation on property plant and equipment	7	31
Amortisation of intangible assets	191	215
Impairment on goodwill and intangible assets	716	-
Loss on disposal of property, plant and equipment	30	-
Finance costs	8	14
Finance income	(8)	(1)
	<hr/>	<hr/>
Cash flows from operating activities before changes in working capital	1,051	1,029
Decrease / (increase) in trade and other receivables	818	(723)
(Decrease) / increase in trade and other payables	(451)	280
	<hr/>	<hr/>
Cash generated by operations	1,418	586
Income tax paid	(235)	(76)
	<hr/>	<hr/>
Net cash from operating activities	1,183	510
Investing activities		
Purchase of property, plant and equipment	(43)	(2)
Purchase of intangibles	(391)	(86)
Interest received	8	1
	<hr/>	<hr/>
Net cash used in investing activities	(426)	(87)
Financing activities		
Finance costs	(8)	(4)
Loan and lease repayments	(144)	(86)
Issue of new share capital	36	-
	<hr/>	<hr/>
Net cash from financing activities	(116)	(90)
Net increase in cash and cash equivalents	641	333
Cash and cash equivalents at beginning of the period	2,186	1,853
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	2,827	2,186
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of net cash flow to movement in net funds:	Year ended	Year ended
	31 December	31 December
	2022	2021
	£000	£000

Net increase in cash and cash equivalents	641	333
Inception of finance leases	-	(56)
Repayment of loans and leases	144	86
	<u>785</u>	<u>363</u>
Movement in net funds in the year		
Net funds at 1 January	1,724	1,361
	<u>1,724</u>	<u>1,361</u>
Net funds at 31 December	<u><u>2,509</u></u>	<u><u>1,724</u></u>

Breakdown of net funds

Cash and cash equivalents	2,827	2,186
Lease liabilities	-	(31)
Bank loans	(318)	(431)
	<u>2,509</u>	<u>1,724</u>
Net funds at 31 December	<u><u>2,509</u></u>	<u><u>1,724</u></u>

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

GENERAL INFORMATION

Digitalbox Plc is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office Jubilee House, 92 Lincoln Road, Peterborough, England, PE1 2SN. The Company is listed on AIM of the London Stock Exchange.

The principal activity of the Group and of the Company are disclosed in the Directors' Report.

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 2022

The following IFRS standards, amendments or interpretations became effective during the year ended 31 December 2022 but have not had a material effect on this Consolidated Financial Information:

Standard

Amendments to IFRS 3: Reference to the Conceptual Framework

Amendments to IAS 16: Property Plant and Equipment (Proceeds before intended use)

Amendments to IAS 37: Onerous Contracts (Cost of fulfilling a contract)

Amendments to IFRS 1, Annual Improvements to IFRS Standards 2018-2020 IFRS 9, IFRS 16 and IAS 41

All new standards and amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2022 that are applicable to the Group have been applied in preparing these Consolidated Financial Statements.

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

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Consolidated Financial Statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Standard	Effective date
Amendments to IAS 1 Disclosure of accounting policies	1 January 2023
Amendments to IAS 8 Definition of accounting estimates	1 January 2023
Amendments to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

The Directors are continuing to assess the potential impact that the adoption of the standards listed above will have on the Consolidated Financial Statements for the year ended 31 December 2023.

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.

4. ACCOUNTING POLICIES (continued)

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 United Kingdom ("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 the parent company and its subsidiaries, as detailed in note III to the company financial statements. 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

The Group generated profit during the year of £804k (2021: £396k), the Group had closing net assets of £13,975k (2021: £13,073k), net current assets of £3,318k (2021: £2,913k) and cash at bank and in hand of £2,827k (2021: £2,186k).

The Group generated net cash from operating activities of £1,183k during the year (2021: £510k). The Group has remained cash generative during a difficult economic period which saw the impact of the war in Ukraine and the effect that has had on inflation in the UK.

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 strong and liquid balance sheet position and ongoing financial performance of the Group, the successful acquisition of The Poke 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 accommodate the impact of increasing inflation which has been demonstrably achieved in the year ended 31 December 2022, 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.

4. ACCOUNTING POLICIES (continued)

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 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 Group assesses whether a contract is or contains a lease, at inception of a contract. The Group 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 Group 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 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.

4. ACCOUNTING POLICIES (continued)

Leases (continued)

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 depreciated 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 individual 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.

4. ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Also included within intangible assets are various assets separately identified in business combinations (such as brand value) to which the Directors have ascribed a fair 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.

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.

4. ACCOUNTING POLICIES (continued)

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 22.

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:

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.

4. ACCOUNTING POLICIES (continued)

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.

There were unused tax losses at 31 December 2022 amounting to £3,172k. In the majority, these were restricted for use for 5 years against future taxable profits arising from the trade formerly carried on in Tab Media Limited and now carried on in Digitalbox Publishing Limited. A deferred tax asset has been recognised in relation to these losses for the first time, as these are now considered to be highly likely to be recoverable against future profits.

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 and profit after taxation. 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 Group'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. Development costs (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 payment 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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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.

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 hostile global trading conditions driven by the impact of the war in Europe. 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:

2022	Entertainment Daily £'000	Mashed Productions £'000	The Tab £'000	The Poke £'000	Head Office £'000	Total 2022 £'000
Revenue	2,261	243	1,059	15	-	3,578
Cost of sales	(224)	(190)	(118)	(2)	-	(534)
Administrative expenses*	(529)	(111)	(398)	(6)	(919)	(1,963)
Adjusted EBITDA	1,508	(58)	543	7	(919)	1,081
Amortisation, depreciation, and impairment	-	-	-	-	(914)	(914)
Acquisition costs	-	-	-	-	(57)	(57)
Capital restructure costs	-	-	-	-	(3)	(3)
Share based payments	-	-	-	-	(62)	(62)
Finance income	-	-	-	-	8	8
Finance costs	-	-	-	-	(8)	(8)
Tax	-	-	-	-	759	759
Profit/(loss) for the year	1,508	(58)	543	7	(1,196)	804

6. SEGMENTAL INFORMATION (continued)

2021	Entertainment Daily £'000	Mashed Productions £'000	The Tab £'000	Head Office £'000	Total 2021 £'000
Revenue	2,463	308	896	-	3,667
Cost of sales	(205)	(171)	(153)	-	(529)
Administrative expenses*	(474)	(86)	(287)	(1,272)	(2,119)
Other operating income	-	-	-	10	10
Adjusted EBITDA	1,784	51	456	(1,262)	1,029
Amortisation, depreciation, and impairment	-	-	-	(246)	(246)
Share based payments	-	-	-	(143)	(143)
Finance Income	-	-	-	1	1
Finance costs	-	-	-	(14)	(14)
Tax	-	-	-	(231)	(231)
Profit/(loss) for the year	1,784	51	456	(1,895)	396

*Administrative expenses exclude depreciation, amortisation, impairment, 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 2022 Continuing £'000	31 December 2021 Continuing £'000	31 December 2022 £'000	31 December 2021 £'000	31 December 2022 £'000	31 December 2021 £'000
United Kingdom	759	1,683	14,097	14,205	43	58
Europe	1,381	665	284	141	-	-
Rest of World	1,438	1,319	261	366	-	-
	3,578	3,667	14,642	14,712	43	58

At the end of 2021, a key UK based customer was acquired by a large European based business. The acquired business continued to be a key customer of the Group with its revenues billed from Holland instead of the UK. This is the reason for the change in proportion of revenue from the UK and Europe.

7. REVENUE

	2022 £'000	2021 £'000
Revenue by stream is split:		
Advertising space	3,578	3,667
	<u>3,578</u>	<u>3,667</u>
Revenue by location is split:		
United Kingdom	759	1,683
Europe	1,381	665
Rest of world	1,438	1,319
	<u>3,578</u>	<u>3,667</u>

The Group had four customers whose revenue individually represented 10% or more of the Group's total revenue, being 19.70%, 13.65%, 12.33% and 11.03% respectively.

8. PROFIT FROM OPERATIONS

	2022 £'000	2021 £'000
This is arrived at after charging/(crediting):		
Continuing operations		
Staff costs (see note 9)	1,322	1,584
Direct costs of business combinations	57	-
Depreciation of property, plant & equipment	31	31
Amortisation of intangible fixed assets	191	215
Impairment on goodwill and intangible assets	716	-
Foreign exchange differences	-	17
Government grants	-	(10)
	<u>1,322</u>	<u>1,584</u>
Auditors' remuneration in respect of the Company	18	18
Audit of the Group and subsidiary undertakings	41	34
	<u>59</u>	<u>52</u>

In 2022, government grants of £NIL (2021: £10k) 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

	2022 £'000	2021 £'000
Staff costs for all employees, including Directors consist of:		
Wages and salaries	1,176	1,284
Social security costs	134	101
Pensions	12	14
	<u>1,322</u>	<u>1,399</u>
Share based payment charge	62	143
	<u>1,384</u>	<u>1,542</u>

	2022 Number	2021 Number
The average number of employees of the group during the year was as follows:		
Directors	6	6
Management and administration	4	3
Content	22	20
	<u>32</u>	<u>29</u>

Directors' Detailed Emoluments

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

	Salary 2022 £'000	Consultancy 2022 £'000	Bonus 2022 £'000	Pension 2022 £'000	Total 2022 £'000	Total 2021 £'000
N Burton (resigned 17 February 2021)	-	-	-	-	-	3
J Carter	137	-	-	1	138	*288
J Douglas	137	-	-	1	138	*288
M Higginson	-	25	-	-	25	25
D Joseph	45	-	-	-	45	41
R Miller (resigned 17 February 2021)	-	-	-	-	-	14
M Armitage (resigned 1 July 2021)	-	-	-	-	-	13
P Machray (joined 1 July 2021)	25	-	-	-	25	13
M Rich (joined 17 February 2021)	35	-	-	-	35	30
	<u>379</u>	<u>25</u>	<u>-</u>	<u>2</u>	<u>406</u>	<u>715</u>

*these sums included bonuses paid in accordance with and Executive Bonus Scheme, with the net proceeds being used to extinguish director loans.

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' interests in the issued ordinary share capital of the Company was as follows:

Director	Shares of £0.01 31/12/2022		Shares of £0.01 31/12/2021	
	James Carter	10,908,078	9.3%	10,908,078
Jim Douglas	10,908,078	9.3%	10,908,078	9.4%
David Joseph*	600,000	0.5%	-	-

*David Joseph acquired shares through Integral 2 Limited, a company controlled by him.

There is a share-based payment charge attributable to options held by the directors' during the year amounting to £17k (2021: £100k). These options subsequently lapsed on 28 February 2022.

Effective options in Digitalbox plc exist due to two directors having warrants in its subsidiary company, Digital Publishing (Holdings) Limited, which, when exercised, are satisfied by issuing shares in Digitalbox plc.

These are set out in the table below,

<u>'Effective Option' Holder</u>	<u>Number of Shares</u>
James Carter	681,958
Jim Douglas	681,958
	<hr/> <hr/>
	1,363,916

The warrants had vested prior to admission onto AIM on 28 February 2019 and carry an effective exercise price of 2.28 pence per share issued in Digitalbox plc. On 16 February 2022 Martin Higginson exercised 1,590,936 warrants at 2.28 pence per share and subsequently disposed of these shares.

Further information on share options is included in note 22.

The market price of the shares at 31 December 2022 was 8.50p with a quoted range from throughout 2022 of 8.25p to 16.25p. The options vest based on performance criteria detailed in note 22.

10. FINANCE COSTS

	2022 £'000	2021 £'000
Interest on lease liabilities	-	2
Interest on bank loans	8	12
	<hr/>	<hr/>
	8	14
	<hr/> <hr/>	<hr/> <hr/>

11. TAXATION ON PROFIT/LOSS FROM ORDINARY ACTIVITIES

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profits for the current period	132	165
Adjustment in respect of prior periods	1	24
Deferred tax		
Origination and reversal of temporary differences	(96)	27

Changes in tax rates	(3)	-
Benefit arising from previously unrecognised tax losses	(793)	-
Adjustments in respect of prior periods	-	15
	<u> </u>	<u> </u>
Total tax charge/(credit)	<u>(759)</u>	<u>231</u>

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

	2022	2021
	£'000	£'000
Total profit on ordinary activities before tax	45	627
	<u> </u>	<u> </u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2021: 19%)	9	119
Effects of:		
Expenses not deductible for tax purposes	24	30
Income not taxable	(6)	-
Impairment on goodwill	61	-
Adjustments to prior periods	1	39
Fixed asset differences	(2)	-
Deferred tax asset not previously recognised	(793)	-
Deferred tax not recognised – loss relief in current period	(50)	(23)
Effect of changes in tax rates on deferred tax	(3)	66
	<u> </u>	<u> </u>
Tax charge/(credit) for the year	<u>(759)</u>	<u>231</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 substantively enacted on 24 May 2021. Deferred tax at the balance sheet date has therefore been measured using the enacted tax rate of 25% (2021: 25%) in these financial statements.

There were unused tax losses at 31 December 2022 amounting to £3,172k. In the majority, these were restricted for use for 5 years against future taxable profits arising from the trade formerly carried on in Tab Media Limited and now carried on in Digitalbox Publishing Limited. A deferred tax asset has been recognised in relation to these losses for the first time, as these are now considered to be highly likely to be recoverable against future profits.

12. EARNINGS PER SHARE

	2022	2021
	£'000	£'000
The earnings per share is based on the following:		
Continuing earnings post tax attributable to shareholders	804	396
	<u> </u>	<u> </u>
Basic weighted average number of shares	117,718,533	116,332,457
Diluted weighted average number of shares	120,002,622	118,297,010
	<u> </u>	<u> </u>
Basic earnings per share (£)	0.00683	0.00340
Diluted earnings per share (£)	0.00670	0.00335
	<u> </u>	<u> </u>

Earnings 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 which could arise from exercised share options are disregarded in the calculation of diluted EPS.

13. TANGIBLE FIXED ASSETS

	IFRS 16 Right-of-Use Asset £'000	Office equipment £'000	Total £'000
Cost			
Balance at 1 January 2021	33	27	60
Additions	56	2	58
Disposals	(33)	-	(33)
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2022	56	29	85
Additions	-	43	43
Disposals	(56)	(14)	(70)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	-	58	58
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
Balance at 1 January 2021	31	10	41
Depreciation charge	27	4	31
Depreciation eliminated on disposal	(33)	-	(33)
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2022	25	14	39
Depreciation charge	-	7	7
Depreciation eliminated on disposal	(25)	(15)	(40)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	-	6	6
	<hr/>	<hr/>	<hr/>
Net Book Value			
At 31 December 2022	<hr/> <hr/> -	<hr/> <hr/> 52	<hr/> <hr/> 52
At 31 December 2021	<hr/> <hr/> 31	<hr/> <hr/> 15	<hr/> <hr/> 46

The net book value of owned and leased assets included as "Property, plant and equipment" in the Statement of Financial Position is as follows:

	2022 £'000	2021 £'000
Tangible fixed assets owned	52	15
Right-of-Use tangible fixed assets	-	31
	<hr/>	<hr/>
	52	46
	<hr/> <hr/>	<hr/> <hr/>

13. TANGIBLE FIXED ASSETS (continued)

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

Net Book Value	2022	2021
	£'000	£'000
Property	-	31

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

	2022	2021
	£'000	£'000
Property	-	27

14. INTANGIBLE FIXED ASSETS

GROUP	Goodwill Arising on Consolidation £'000	Other Intangible Assets £'000	Development costs £'000	Total £'000
Cost				
Balance at 1 January 2021	9,610	1,476	35	11,121
Additions	-	-	86	86
Balance at 1 January 2022	9,610	1,476	121	11,207
Additions	-	18	171	189
Business combinations (note 24)	-	202	-	202
Balance at 31 December 2022	9,610	1,696	292	11,598
Accumulated amortisation				
Balance at 1 January 2021	-	247	35	282
Amortisation	-	211	4	215
Balance at 1 January 2022	-	458	39	497
Amortisation	-	159	32	191
Impairment	321	395	-	716
Balance at 31 December 2022	321	1,012	71	1,404
Net Book Value				
At 31 December 2022	9,289	684	221	10,194
At 31 December 2021	9,610	1,018	82	10,710
At 31 December 2020	9,610	1,229	-	10,839

14.

INTANGIBLE FIXED ASSETS (continued)

The company acquired the intellectual property of The Poke in December 2022 for £202,000.

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

GOODWILL AND IMPAIRMENT

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

	31 December 2022 £'000	31 December 2021 £'000
Digitalbox Publishing (Holdings) Limited	9,171	9,171
Mashed Productions Limited	-	321
Tab Media Limited	118	118
	<u>9,289</u>	<u>9,610</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.

Digitalbox Publishing (Holdings) Limited

The recoverable amount of Digitalbox Publishing (Holdings) Limited relates to the Entertainment Daily segment and has been determined from a review of the current and anticipated performance of this unit. In preparing this projection, a discount rate of 10% 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 Group'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 would reduce the recoverable amount below book value. The key sensitivity is the discount rate which does not breach the outer sensitivity of a 15 year useful economic lifetime until it reaches an improbable 16%.

Mashed Productions Limited

The recoverable amount of Mashed Productions Limited has been determined with reference to the trade and assets hived across to Digitalbox Publishing Limited in 2020. Due to a change in the revenue model for this CGU the recoverable amount has been deemed as £NIL in 2022 and therefore, a full impairment of Mashed Productions Limited has been made.

Tab Media Limited

The recoverable amount of the Tab Media segment, which was hived up from Tab Media Limited to Digitalbox Publishing Limited on 1 October 2020, has been determined from a review of the current and anticipated performance of this unit. In preparing this projection, a discount rate of 10% 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 Group's cost of capital as estimated by management. After applying sensitivity analysis in respect of the results and future cash

14. INTANGIBLE FIXED ASSETS (continued)

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 would reduce the recoverable amount below book value. The key sensitivity is the discount rate which does not breach the outer sensitivity of a 15 year useful economic lifetime until it reaches an improbable 16%.

15. TRADE AND OTHER RECEIVABLES

	31 December 2022 £'000	31 December 2021 £'000
Trade receivables	784	1,428
Prepayments and accrued income	100	104
Other receivables	68	238
	<u>952</u>	<u>1,770</u>

16. CASH AND CASH EQUIVALENTS	31 December 2022 £'000	31 December 2021 £'000
Cash at bank and in hand	2,827	2,186
	<u>2,827</u>	<u>2,186</u>
	<u><u>2,827</u></u>	<u><u>2,186</u></u>
17. LIABILITIES	31 December 2022 £'000	31 December 2021 £'000
Current liabilities		
Trade payables	124	86
Social security and other taxes	84	144
Accruals	76	508
Lease liabilities	-	29
Other payables	4	1
Bank loans	112	112
Corporation tax payable	61	163
	<u>461</u>	<u>1,043</u>
	<u><u>461</u></u>	<u><u>1,043</u></u>
Non-current liabilities		
Lease liabilities	-	2
Bank loans	206	319
	<u>206</u>	<u>321</u>
	<u><u>206</u></u>	<u><u>321</u></u>
18. LOANS	31 December 2022 £'000	31 December 2021 £'000
Bank loans		
Due in less than one year	112	112
Due in between one and two years	122	122
Due in between two and five years	84	197
	<u>318</u>	<u>431</u>
	<u><u>318</u></u>	<u><u>431</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 which commenced in 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. The outstanding balance at 31 December 2022 was £318k (2021: £431k).

19. DEFERRED TAX	Total £'000
Balance at 1 January 2022	(275)
Deferred tax charge for the year	892
	<u> </u>

Balance at 31 December 2022		617
		<u>617</u>

The deferred tax provision comprises:	31 December 2022 £'000	31 December 2021 £'000
Intangible asset timing differences	(176)	(275)
Tax losses	793	-
	<u>617</u>	<u>(275)</u>

The expected net reversal of deferred tax in 2023 is £35k.

20. 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.

20. FINANCIAL RISK MANAGEMENT (continued)

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 2022 £'000	31 December 2021 £'000
Current financial assets		
Trade receivables	784	1,428
Other receivables	67	238
Cash and cash equivalents	2,827	2,186
	<u>3,678</u>	<u>3,852</u>

The table below illustrates the due date of trade receivables:

	31 December 2022 £'000	31 December 2021 £'000
Current	286	577
31 – 60 days	215	421
61 – 90 days	158	267
91 – 120 days	68	126
121 and over	57	37
	<u>784</u>	<u>1,428</u>

The table below illustrates the geographical location of trade receivables:

31 December 2022 £'000	31 December 2021 £'000
---------------------------------------	---------------------------------------

United Kingdom	252	921
Europe	270	141
Rest of world	262	366
	<u>784</u>	<u>1,428</u>

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 together based on similar credit risk and ageing. The average credit period given on sales is 30 days. There are no receivable balances impaired at the reporting date. In determining the provision for impairment of trade receivables, the Group stratifies the receivables into one component being corporate debtors. The expected credit loss allowance for impairment is trivial and so no impairment has been recognised at the year-end.

20. FINANCIAL RISK MANAGEMENT (continued)

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'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 2022 £'000	31 December 2021 £'000
At the year end the Group had the following cash balances:	<u>2,827</u>	<u>2,186</u>

Cash at bank comprises Sterling and US Dollar cash deposits.

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 2022 £'000	31 December 2021 £'000
Financial liabilities at amortised cost		
Trade payables	124	86
Accruals	76	508
Lease liabilities	-	31
Bank loans	318	431
Other payables	4	1
	<u>522</u>	<u>1,057</u>

The table below illustrates the maturities of trade payables:

	31 December 2022 £'000	31 December 2021 £'000
Current	93	45

31 – 60 days	21	28
61 – 90 days	-	12
91 – 120 days	-	-
121 and over	10	1
	<u>124</u>	<u>86</u>

20. FINANCIAL RISK MANAGEMENT (continued)

The table below shows the maturities of financial liabilities:

2022	Carrying amount £'000	6 months or less £'000	6-12 months £'000	1 or more year £'000
Trade payables	124	114	-	10
Accruals	76	76	-	-
Loans	318	56	56	206
Other payables	4	4	-	-
	<u>522</u>	<u>250</u>	<u>56</u>	<u>216</u>

2021	Carrying amount £'000	6 months or less £'000	6-12 months £'000	1 or more year £'000
Trade payables	86	85	1	-
Accruals	508	508	-	-
Lease liabilities	31	14	15	2
Loans	431	56	56	319
Other payables	1	1	-	-
	<u>1,057</u>	<u>664</u>	<u>72</u>	<u>321</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 reliance on US Dollar denominated annual revenues which amounted to \$1.8m (2021: \$1.9m) with a trade debtor balance at the year-end of \$11k (2021: \$214k). The Group mitigates foreign exchange risk by selling forward US Dollars on a quarterly basis.

21. SHARE CAPITAL	No.	Value	No.	Value
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	31 December 2022	£'000	31 December 2021	£'000
Called up share capital				
Allotted, called up and fully paid				
Ordinary shares of £0.01 each	117,923,393	1,179	116,332,457	1,163
	<u>117,923,393</u>	<u>1,179</u>	<u>116,332,457</u>	<u>1,163</u>
			No.	£'000
As at 1 January 2022			116,332,457	1,163
Issue of shares			1,590,936	16
As at 31 December 2022			<u>117,923,393</u>	<u>1,179</u>

On 16 February 2022, 1,590,936 shares were issued pursuant to the exercise of warrants for consideration of £0.0228 per share, resulting in share premium of £20k.

22. SHARE BASED PAYMENTS

During the year, the Group incurred a £62k share based payment charge (2021: £143k). Of this total, £17k (2021: £100k) was recorded as an expense in Digitalbox plc and £45k (2021: £43k) was recorded as an expense in Digitalbox Publishing Limited.

	2022 No. of share options	Weighted average exercise price	2021 No. of share options	Weighted average exercise price
Outstanding at beginning of year	9,141,663	7.74p	8,298,757	8.19p
Granted during the year	-	-	1,002,906	6.00p
Exercised during the year	(1,590,936)	2.28p	-	-
Expired during the year	(3,008,808)	14.0p	(160,000)	20.00p
Outstanding at the end of the year	<u>4,541,919</u>	<u>5.51p</u>	<u>9,141,663</u>	<u>7.74p</u>

3,008,718 options are exercisable after 3 years (see page 23), or an exit event.

169,285 options are exercisable immediately.

1,363,916 options relates to Warrants issued prior to the group's admission by Digitalbox Publishing (Holdings) Limited, a subsidiary of the company. These are exercisable upon the exercise of those warrants in a share for share exchange arrangement, under which the company acquires all shares issued in Digitalbox Publishing (Holdings) Limited and in consideration, issues shares to the warrant holders.

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.

23. 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.

24. ACQUISITION OF A BUSINESS

On 30 November 2022 the company acquired an unincorporated business, thepoke.co.uk, for consideration of £204,000.

	Book Value £'000	Fair Value £'000
Intangible assets (Brand)	-	202
Property, plant & equipment	2	2
	<u>2</u>	<u>204</u>
Total consideration	<u><u>2</u></u>	<u><u>204</u></u>
Satisfied by:		£'000
Cash		204
		<u><u>204</u></u>

Contribution by the acquired business for the reporting period included in the group statement of comprehensive income since acquisition:

	£'000
Revenue	15
Profit after tax	5
	<u><u>20</u></u>

25. LEASING COMMITMENTS

Group as a lessee

In 2022, the group exited their head office lease.

Lease liabilities are due as follows:

	31 December 2022 £'000	31 December 2021 £'000
Current	-	29
Non-current	-	2
	<u>-</u>	<u>31</u>
	<u><u>-</u></u>	<u><u>31</u></u>

Contractual undiscounted cash flows are due as follows:

	31 December 2022 £'000	31 December 2021 £'000
Current	-	30
Non-current	-	3
	<u>-</u>	<u>33</u>
	<u><u>-</u></u>	<u><u>33</u></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 2022	31 December 2021
-----------------------------	-----------------------------

	£'000	£'000
Interest expense on lease liabilities	-	2
Expenses relating to short-term leases	-	29
	<u> </u>	<u> </u>
	-	31
	<u> </u>	<u> </u>

26. CAPITAL COMMITMENTS

At 31 December 2022 and 31 December 2021 there were no capital commitments.

27. RELATED PARTY TRANSACTIONS

At 31 December 2022, the Group was due £nil (2021: £171k) from James Carter and Jim Douglas, two Directors of the company, both having used the net proceeds of the 2021 bonus payment to repay their Director loans in full.

During the year, Integral2 Limited billed £65k (2021: £53k) 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 2022, £6k (2021: £5k) was owed to Integral2 Limited. During the year, David Joseph acquired 600,000 shares in Digitalbox plc at 8 pence per share through Integral 2 Limited.

During the year, M Capital Investment Properties Limited billed £25k (2021: £25k) 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 2022, £2.5k (2021: £2.5k), was accrued as owing to M Capital Investment Properties Limited.

During the prior year, Robin Miller Consultants Limited billed £11k to the Group, a company related by virtue of Robin Miller, a member of key management personnel for part of the prior year, having control over the entity. As at 31 December 2022, £nil (2021: £1.7k), was owed to Robin Miller Consultants Limited. The balances stated here were for transactions up to the point that Robin Miller resigned as a director and was therefore no longer a related party.

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 £406k in the year ended 31 December 2022 (2021: £715k).

The key management personnel have been provided with a total of 1,363,916 effective share options resulting in a charge of £17k in the period (2021: £100k).