Pebble Beach Systems Group plc

A leading global software business specialising in playout automation and content management solutions for the broadcast and streaming service markets.

ANNUAL REPORT 2020

CONTENTS

BUSINESS OVERVIEW

PEBBLE BEACH SYSTEMS GROUP PLC

Pebble Beach Systems Group plc is incorporated in England (company registration number 04082188) and has its registered office at 12 Horizon Business Village, 1 Brooklands Road, Weybridge KT13 0TJ. The Group comprises Pebble Beach Systems Limited (trading as Pebble) and its subsidiary companies.

PEBBLE BEACH SYSTEMS LIMITED (TRADING AS PEBBLE)

Pebble is a world leader in designing and delivering automation, integrated channel and virtualised playout solutions, with scalable products designed for applications of all sizes. Founded in 2000, Pebble has commissioned systems in more than 70 countries, with proven installations ranging from single up to over 150 channels in operation, and around 2,000 channels currently on air under the control of our automation technology. An innovative, agile company, Pebble is focused on discovering its customers' requirements and pain points, designing solutions which will address these elegantly and efficiently, and delivering and supporting these professionally and in accordance with its users' needs.

OPERATIONAL HIGHLIGHTS

- Trading in the year impacted by COVID-19 with customers being slow to make investment decisions impacting orders and revenue
- Encouraging uptake in activity in the first quarter of 2021, with orders up 86% in Q1 2021 compared with the same pre-COVID-19 quarter of 2020
- Implemented cost savings to maintain the adjusted EBITDA above 30% despite COVID-19 headwinds reducing revenue by 25%
- Seamless transition to remote working as the UK Government imposed a series of lockdowns
- Workforce capability maintained with no redundancies or use of the Government furlough schemes
- Reduced long-term bank debt by a further £1m
- Extension to bank loan agreement securing the facility until 30 November 2022
- Re-evaluated the values that underpin the beliefs, philosophies and principles that drive our business; positively impacting our employees' experiences; and enhancing our relationship with customers, partners, and shareholders, culminating in a re-brand for Pebble, including a new website: www.pebble.tv

OUR LOCATIONS

The business is run through the main operational site at Weybridge in the UK. It trades in the US as Pebble Broadcast Systems Inc and the rest of the world as Pebble. Our Group head office is located in Weybridge, UK.

NON–EXECUTIVE CHAIRMAN'S STATEMENT

INTRODUCTION

In common with the majority of companies across all sectors, 2020 was a year like no other in our history. I am incredibly proud of the robust way that the Group responded to the challenges presented by the COVID-19 pandemic and continues to do so.

The year saw some customers cancel anticipated projects and others delay investment decisions as they understandably focused on addressing the challenges that COVID-19 created for their own business. This led to an inevitable reduction in orders in the year from £10.3 million to £7.8 million which had consequential effect on revenue. However, as the new year started, we began to see customers look forwards again which saw an upturn in customer engagement, a growth in our pipeline and by the end of Q1 2021 our orders were up 86% on the comparable period last year.

The opportunity for our technology remains significant with COVID-19 having an undeniable impact on the broadcast sector. 2020 saw a return to traditional media as a source of news and information, an increase in the need for remote production technology and an increase in interest for forms of subscription-based offerings. In this environment, cloud and IP-based technology are seen as important tools to deliver against these sector trends. The accelerated investment we have made in our new digital platform, Oceans, has all the benefits of current technologies enabling our customers to establish all-IP workflows whilst retaining at its core the ability for our customers to continue to utilize their investment in our existing installed solutions. We believe the increased investment in our technology is critical to our delivery of next generation cloud-based solutions.

Coupled with the technology enhancements we were able to progress in 2020, the year also saw the resilience of our operating model being demonstrated. Our employees made a seamless transition to homeworking continuing to be highly productive in meeting our customers' needs. Our level of service and solutions delivery ensured that all staff were fully engaged throughout the year and no redundancies were considered. Additionally, we had no requirement to make use of the Government furlough schemes. These facts demonstrate the underlying strength of the Group. Notwithstanding the ongoing investment in technology development, we have also paid down another £1.0 million of our long-term debt. We have maintained our discipline on costs and have been able to deliver strong margins in unprecedented market conditions. We are confident of growth in 2021 and in our ability to deliver success for all our stakeholders.

FINANCIAL RESULTS

Revenue for 2020 of £8.4 million (2019: £11.2 million). Recurring revenue from support contracts was up 10% to £4.0 million (2019: £3.6 million).

Gross profit in 2020 was £6.4 million at a margin of 77% (2019: £8.3 million at a margin of 74%).

Adjusted EBITDA of £2.7 million in 2020 (2019: £3.8 million), before depreciation and amortisation, of £1.2 million (2019: £2.0 million) are deducted.

The Group continues to view investment in the development of new products and services as key to future growth and we will continue to invest in innovation and new technologies. In 2020, Pebble Beach Systems capitalised £1.3 million of development costs (amortised £0.8 million), (2019: £1.0 million) (amortised £0.8 million).

Net finance costs were slightly lower in 2020 reflecting the Group's pay-down of some of its revolving credit facility ("RCF") offsetting more than the full year impact of an increased interest rate of 3.53% (2019: 3.30%). The available RCF as at 31 December 2020 was reduced to £8.5 million, all of which had been drawn fully down (2019: £9.5 million, of which £9.5 million had been fully drawn down). Interest paid on the RCF was £0.3 million (2019: £0.4 million).

The net profit for the year was £1.3 million (2019: £1.5 million).

DEBT

At 31 December 2020, the Group's net debt (excluding debt related to leases following the implementation of IFRS 16) was £7.7 million (2019: £8.4 million), comprising net cash of £0.8 million (2019: £1.1 million) and the drawn down RCF from Santander of £8.5 million (2019: £9.5 million).

We enjoy a close relationship with our bank and have kept up a regular dialogue over the last 12 months during the COVID-19 pandemic. During 2020, we agreed a capital repayment holiday in June 2020 under the Government's initiative, and we also agreed a reduced level of repayment in December 2020. These actions were taken to mitigate potential cashflow risks caused by the uncertainties relating to the pandemic. During 2020 we repaid £1.0 million of the RCF and did not take on any new debt available under the Government loan support schemes. Post year end, on 10 March 2021, we signed a 12-month extension to the current £8.5 million loan agreement. The agreement secures the facility until 30 November 2022 with revised quarterly repayments and EBITDA covenant test levels reduced to reflect the current trading environment. This agreement was based on the budget for 2021 and forecasts for the following two years.

GOING CONCERN

The directors are required to assess the Company's and the Group's ability to continue to trade as a going concern. The details of this review are covered in the Directors' Report on pages 15 to 19 and the Notes to the Financial Statements on page 49. The Board concluded, from its thorough assessment of the detailed forecasts, that the Group will have sufficient resources to meet its liabilities during the review period through to 30 June 2022 and that it is appropriate that the Group and the Company prepare accounts on a going concern basis.

BOARD CHANGES

As previously announced, we were pleased to make two new appointments to the Board; on 1 May 2020, Richard Logan was appointed to the Board as Non-Executive Director and on 5 October 2020, David Dewhurst was appointed as Chief Financial Officer.

TRADING OUTLOOK

The results achieved in 2020, in such unfavourable conditions, came from the combined efforts of each and every member of staff. Their determination and perseverance throughout 2020 has clearly demonstrated that our strong culture of resilience, enthusiasm, expertise, agility and dedication allows us to look forward with optimism as the world returns to some level of normality.

2021 started slowly as customers continued their cautious approach to investment decision making. As the first quarter has unfolded customer confidence has returned and the order intake for the first quarter closed at £4.0 million, up 86% compared with £2.2 million in the same quarter of 2020, which was largely pre-COVID-19. £1.5 million of these orders had been in the pipeline for several months but it is reassuring to see that our customers are emerging from the difficulties of 2020 and planning expansions of their broadcast and streaming services.

With the vaccine programme gathering momentum around the world, we feel confident that more customers will take the investment decisions that have been delayed by the pandemic. Our pipeline remains strong and has continued to grow in 2021 and reflects the market opportunity for our technology. We are continuing with the increased investment in our product suite which is critical to the delivery of cloud-based solutions to work alongside our on-premise solutions. The Board is confident that the Group is well positioned to support our customers as they transition from traditional broadcast infrastructure to more flexible IP-based technologies.

John Varney
Non-Executive Chairman
27 April 2021

OUR STRATEGY

To grow the business through the reinvestment of funds generated by improved operational effectiveness in new software solutions.

MISSION	OBJECTIVES	2021 STRATEGY
Our Mission	To support broadcasters as they adapt to compete with new entrants in the video media space by providing solutions to support their transition from traditional broadcast infrastructure to more flexible IP based technologies	• Focus on end user needs • Target global customers looking to realise the benefits of IP based technologies whilst continuing to leverage their historic SDI investment • Provide technology and services which can be tailored to our customer needs
To Grow the Business	• Become the go-to organisation for technology transition to IP-based media facility • Develop our solutions to not be restricted to any single source third party technology • Acquire additional technologies • Address emerging SaaS needs	• We will grow our order intake through targeting specific new countries, communicating a clear "path to IP" technology roadmap leveraging our newly developed Pebble control capability and Oceans platform • We will transition to a remote workforce operating model • We will ensure our current offerings retain their Tier 1 status by ensuring we are able to deliver a compelling public cloud solution • We will ensure our financial performance is maintained at the levels of cash generation required to support the reduction in Net Debt whilst increasing investment into our technology
Reduce Net Debt	• To maintain continued support from our bank • Continue to reduce net debt in 2021	• On 10 March 2021 an extension of the current loan agreement was signed. The revision secures the facility until 30 November 2022 with reduced banking covenants and a repayment schedule appropriate to 2021 market conditions
Shareholder confidence	• Increase shareholder value • To continue to build shareholder confidence as we recover from impacts of COVID-19	• During 2021, re-establish market guidance for the post-pandemic business environment and continue to drive higher recurring revenues

OUR BUSINESS MODEL

WHAT WE DO

Pebble Beach Systems Limited, the operational division of the Group, trading as Pebble, is a leading provider of software and solutions to broadcasters and streaming service providers worldwide.

OUR STRATEGY

To grow the business and profitability, through the reinvestment of funds generated to provide new software solutions and by improved operational effectiveness.

OUR MISSION

To support broadcasters as they adapt to compete with new entrants in the video media space by providing solutions to support their transition from traditional broadcast infrastructures to more flexible IP-based technologies.

OUR INNOVATIVE SOLUTIONS

Our solutions enable our customers to:

- Deploy on premises, or in a private or public cloud
- Evolve to integrated channel technology and virtualised playout
- Benefit from specialist third party software technology
- Control best of breed devices
- Integrate with legacy systems and devices

OUR KEY STRENGHTS

- Proven technology
- Specialist technical expertise
- Ability to overcome complex challenges
- Open, pragmatic approach
- Strong partnerships
- Focussed on embracing and nurturing talent

WHO WE SELL TO

Our customers are international, national, regional and specialised broadcasters who deliver the full range of TV programming from news and current affairs to live sports broadcasting. Key customers include Fox News, USA; CNBC – UK, S Africa, Pakistan; SVT, Sweden; YLE, Finland; IMG, UK; Bloomberg, UK; MTG Sweden; Phoenix Television, Hong Kong; Orbit Showtime Network, UAE; Globosat Canais, Brazil; ZDF, Germany; TBN, USA; AMC Networks, USA; SES, Israel, UK and Germany; SRF, Switzerland; TV Globo, Brazil. Pebble's website is: http://www.pebble.tv.

Customers are reached through direct sales and partnerships with value added resellers and systems integrators. Whilst both are often focused on market sectors, they share knowledge of customer requirements and market trends, and offer local support where needed.

BUSINESS REVIEW –
FINANCIAL REVIEW

	2020 £m	2019 £m	Change %
Revenue	**8.4**	11.2	(25.1%)
Gross profit	**6.4**	8.3	(22.3%)
Gross margin %	**76.6%**	73.8%	2.8pts
Adjusted EBITDA	**2.7**	3.8	(29.4%)
Net liabilities	**(3.5)**	(4.8)	28.4%
Cash and cash equivalents	**0.8**	1.1	(27.0%)
Reported earnings per share	**1.0p**	1.1p	(8.3%)

KEY PERFORMANCE INDICATORS

KPI MEASURE	2020 £m	2019 £m	% Change	DEFINITION/CALCULATION
CUSTOMERS				
Order intake	**7.8**	10.3	(24.0%)	• Order intake is a measure of new business secured during the year and represents firm orders
Revenue	**8.4**	11.2	(25.1%)	• Monitoring of revenues provides a measure of work delivered and is the key measure of growth
PROFITABLE GROWTH				
Adjusted EBITDA	**2.7**	3.8	(29.4%)	• Adjusted EBITDA is defined as operating profit before depreciation, amortisation and impairment of acquired intangibles, amortisation of capitalised development costs and exchange gains or losses charged to the income statement
Adjusted earnings per share (pence)	**1.1p**	1.8p	(37.6%)	• Adjusted earnings per share is calculated on the same basis as basic earnings per share except for the adding back of the after–tax effect of the adjustments for amortisation and impairment of acquired intangibles, share based payment expense and exchange gains and losses
Total operating costs	**4.8**	5.7	(15.1%)	• Operating costs comprise sales and marketing expenses, administrative expenses, foreign exchange movements and the overhead costs associated with logistics and research and development
Adjusted EBITDA margin	**31.7%**	33.6%	(1.9pts)	• Adjusted EBITDA in the financial year, divided by revenue for the financial year
INNOVATION				
R&D expenditure as a proportion of revenue	**20.8%**	12.8%	8.0pts	• Calculated as capitalised development costs less amortisation in the period plus R&D expenses charged in the period divided by revenue

TAXATION

There was a net tax credit for the year for continuing operations of £0.2 million (2019: £0.1 million). The current tax charge in the year was £Nil (2019: £Nil). There was a deferred tax credit of £0.2 million (2019: £0.1 million).

INTANGIBLE ASSETS IMPAIRMENT

In accordance with the requirements of IAS 36 'Impairment of assets', intangible assets are required to be tested for impairment on an annual basis, or where there is an indication of impairment, with reference to the value of the cash-generating units ("CGU") in question.

The carrying value of goodwill at 31 December 2020 is £3.2 million (2019: £3.2 million) which relates solely to Pebble Beach Systems Limited.

The carrying value at 31 December 2020 of acquired customer relationships is £Nil (2019: £0.2 million); and capitalised development costs is £1.8 million (2019: £1.3 million).

The carrying value of Pebble Beach Systems Limited (including goodwill) has been assessed with reference to value in use over a projected period with a terminal value. No impairment is considered necessary.

NET LIABILITIES

The Statement of Financial Position at 31 December 2020 is summarised as follows:

	2020 **£m**	2019 £m
Intangible assets	**5.0**	4.7
Property, plant and equipment	**1.2**	1.2
Net current liabilities excluding cash	**(2.7)**	(2.5)
Other non-current liabilities	**(7.8)**	(9.3)
Net liabilities excluding cash	**(4.3)**	(5.9)
Cash and cash equivalents	**0.8**	1.1
Net liabilities	**(3.5)**	(4.8)

BUSINESS REVIEW –
FINANCIAL REVIEW

CASH FLOWS

The Group held cash and cash equivalents of £0.8 million at 31 December 2020 (2019: £1.1 million). The table below summarises the cash flows for the year.

	2020 £m	2019 £m
Net cash flows from operating activities	**2.1**	2.0
Net cash used in investing activities	**(1.4)**	(1.1)
Net cash used in financing activities	**(1.0)**	(1.1)
Net decrease in cash and cash equivalents	**(0.3)**	(0.2)
Cash and cash equivalents at 1 January	**1.1**	1.3
Cash and cash equivalents at 31 December	**0.8**	1.1

CASH FLOWS FROM OPERATING ACTIVITIES

The cash generated from operating activities of £2.5 million (see note 25), represented a 93% conversion of the adjusted EBITDA. This compares with £2.4 million and a conversion rate of 64% in 2019.

The cash outflow from investing activities amounted to £1.4 million (2019: £1.1 million) which comprised £1.4 million in respect of capital expenditure and the capitalisation of development costs (2019: £1.1 million).

The cash outflow from financing activities amounted to £1.0 million (2019 £1.1 million) which comprised repayment of bank loans of £1.0 million (2019: £1.1 million).

RETURNS TO SHAREHOLDERS

The directors do not recommend payment of a final dividend for the year ended 31 December 2020 (2019: Nil pence).

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to a number of risks in its everyday business, and in order to minimise those risks policies and procedures are in place and are adopted by those who work within the business.

Risk is ultimately managed by the Board which is supported by operational and compliance reporting structures. The Board sets out below what it considers to be its main risks:

RISK DESCRIPTION	MITIGATION	RISK PROFILE
GOING CONCERN AND LIQUIDITY Revolving Credit and Term Loan Facilities.	The bank continues to show support with an extension to the current loan agreement signed 10 March 2021. The revision secures the facility until 30 November 2022 with banking covenants and a repayment schedule in place. We continue to maintain a good relationship with the bank and continue on track with the terms of our agreement.	High
DEMAND FOR PRODUCTS May be adversely affected by a number of factors to include changing customer requirements, ability to deliver and/or support changes in technology, and competitor activity.	We value our customers and maintain solid relationships with those who are key to our business. We have made and continue to make investment in new products and technology to ensure we remain competitive in the markets.	High
RESEARCH AND DEVELOPMENT Failure to keep abreast of technological developments leading to product obsolescence, loss of customers and damage to the Group's reputation.	We invest significantly in new product and technology development which enables the business to deliver ahead of market developments and provide complete customer solutions. Best practice is shared throughout the Group.	Medium
REPUTATION OF THE GROUP The Group's reputation can be affected by poor performance of its products and unsatisfactory customer service.	We are aware of how important it is for our products to perform to high standards and for our customers to receive first class support. Our sales offices and partnerships with resellers and systems integrators provide a network of customer support.	Medium
LAW AND REGULATIONS Operating on a worldwide basis exposes the business to a host of different laws and regulations, for example different contract rules, anti-bribery provisions and competition. A failure to adhere to these laws and regulations may lead to fines and penalties, as well as damage to the Group's reputation.	We have resources in place for external legal advice where necessary. We also have good governance policies and procedures in place which all employees are required to adhere to.	Medium
PEOPLE We employ staff worldwide and there is a risk that we are unable to recruit and retain experienced staff.	Our people are the Group's biggest asset and we invest in attracting, developing and retaining experienced staff through increased investment in training and organisational development. The move to a remote working model will capture the benefits that some employees have enjoyed over the last year whilst still providing an office base for those that need that.	Medium

PRINCIPAL RISKS AND UNCERTAINTIES

RISK DESCRIPTION	MITIGATION	RISK PROFILE
CORONAVIRUS (COVID-19)	At the beginning of the pandemic, management undertook a risk assessment of the potential impact of the virus to identify and implement any actions to mitigate that risk. The business transitioned to remote working very successfully and that will become the norm as we emerge from the pandemic. We have experienced delays from our customers making investment decisions on new projects but our existing customers on support contracts provides us with a resilient stream of recurring revenue.	Medium
BREXIT The UK formally left the EU on 31 January 2020. Before the end of the transition period in December 2020, a deal was agreed that defines the future relationship. This removed a large amount of uncertainty but has also created some problems in the first few months of 2021 in procurement and shipping.	Additional lead times for equipment ordering, additional documentation and taxation have required project planning to build in more time contingency, support from shipping agents and additional work in understanding the tax implications when goods are moved across borders. The business generates a majority of its revenue from software and support services, which so far have not been impacted by Brexit.	Medium

SECTION 172 STATEMENT

LONG TERM DECISION MAKING

It is the Board's responsibility to ensure the Company's medium to long-term success and the directors have always recognised the consequences of any decision in the long term. The Board is ultimately responsible for long term decisions and is responsible for the overall strategy and leadership of the Group.

The Board provides leadership and a control framework which includes a continual risk assessment and management of the principal risks and uncertainties which are disclosed above.

The Board is supplied with monthly financial and non-financial information in a timely manner to enable it to discharge its duties. The Board has a formal schedule of matters, which are published on the Company website, specifically reserved for decisions by the Board.

The Board meets for scheduled Board meetings 12 times per year, plus ad hoc meetings as required. The Board have a robust and inclusive strategy development process, during which the business purpose, strategy and culture are challenged and refined. This takes place on a formal basis during a 2-day strategy meeting and is supported by monthly reports at each Board meeting. The Board Performance Evaluation on page 23 provides further detail.

The Board considers stakeholder engagement to be an important activity for the Group. It is used to inform the decisions that the Group takes, whether about the products or services it provides, or about its strategic direction, its long-term health, and its relationship with its workforce and the society in which it operates.

The Board believe that stakeholder engagement will strengthen the business and promote its long-term success to the benefit of stakeholders and shareholders alike.

OUR EMPLOYEES

The Group consider our employees to be our greatest asset and crucial to the success of our business. We believe that happy employees, working in a motivated environment, directly contribute to our strategy, performance and reputation. To read more about our employees please see our 'directors' report' section on pages 15 to 19.

THE COMPANY'S BUSINESS RELATIONSHIPS

We believe that good relationships are driven by having good governance structure which is essential to maintain the integrity of the Group in all its actions, to enhance performance and to impact positively on our shareholders, staff, customers, suppliers and other stakeholders.

CUSTOMERS

The sales and customer fulfilment teams obtain feedback from customers regarding existing and new solutions, new opportunities and ideas and customer service through regular interactions with customers comprising face to face meetings, trade shows and industry networking events. This was upheld throughout 2020 during the lockdowns by holding remote, online meetings and trade shows. The customer support ticket system includes a satisfaction indicator and optional comments on closure of each ticket. These results are monitored throughout the year and reviewed in more detail as part of the half yearly team meetings.

SUPPLIERS

The Group sources its products from manufacturers in Europe and North America. By establishing long-term relationships with suppliers, the Group seeks to provide the supply of high quality products and maintain good forecasting to ensure cost and lead time controls.

PARTNERS

The Group has a long history of partnering with other vendors and system integrators to deliver solutions to the end user. Through our in-house development team, we have the ability to partner with most suppliers of the different elements of the value chain to provide bespoke solutions to the end users.

SECTION 172 STATEMENT

MAINTAINING OUR REPUTATION

The Group is passionate about maintaining a reputation for high standards of business conduct. We are aware that the Group's reputation can be affected by poor performance of its products and unsatisfactory customer service. We are conscious of how important it is for our products to perform to high standards and for our customers to receive first class support. Our sales offices and partnerships with resellers and systems integrators provide a network of customer support.

THE NEED TO ACT FAIRLY BETWEEN MEMBERS OF THE COMPANY

The Board welcomes enquiries from both institutional and private investors throughout the year and responds either verbally or in writing to enquiries received from both. The Non-Executive Directors are available to attend meetings with shareholders if they are requested to do so.

During 2020 John Varney, Peter Mayhead and David Dewhurst (since joining the Group on 5 October 2020) were responsible for liaison with institutional shareholders and held individual meetings with institutional shareholders and analysts following the full year and half year results announcements to the City. Meetings were held remotely during 2020 as a result of restrictions around COVID-19. These meetings allowed the non-executive chairman, CEO and CFO to update shareholders on the Group's performance and strategy. When appropriate, additional meetings with institutional investors and/or analysts are arranged. All Board members receive feedback from our CEO, CFO and non-executive chairman from the City presentations and meetings, thus keeping them in touch with shareholder opinion.

The Board are all willing to engage with shareholders should they have a concern that is not resolved through the normal channels.

To read more about the Group's relations with its members please see our 'relations with shareholders' section on page 26.

OUR BOARD

John Varney BA, FRSA
Non-Executive Chairman

APPOINTED TO THE BOARD:
October 2011

INDEPENDENT:
Yes

SKILLS AND EXPERIENCE:
With over 44 years' experience in the broadcast industry, John provides extensive and relevant knowledge of the sector.

John has substantial understanding of business transformation and change management, combined with experience across a broad range of organisations inside and outside the broadcast sector.

Previous roles include Director of Technology and Chief Technology Officer for Granada Group and Global Chief Technology Officer at the BBC and over the past 15 years John has been an investor, adviser and Non–Executive Director for emerging technology companies.

An experienced Chair, John is passionate about strong corporate governance and transparency. His impartial and objective style encourages open and constructive Board level debate.

The Broadcast and Content industries are still a source of endless fascination and passion for him and he remains well connected to major organisations through attendance at Conferences, Industry Trade Shows and Networking Events. John is a Fellow of the Royal Society for the Arts and the Royal Television Society.

OTHER RELEVANT EXTERNAL APPOINTMENTS:
- Director of Maximum Clarity Limited
- Chair of Macclesfield Silk Heritage Trust

BOARD COMMITTEE MEMBERSHIPS:
- Audit Committee – Member
- Remuneration Committee – Member
- Nomination Committee – Chairman

Graham Pitman DipM, MBA
Senior Independent Non-Executive Director

APPOINTED TO THE BOARD:
April 2018

INDEPENDENT:
Yes

SKILLS AND EXPERIENCE:
Graham was appointed Senior Independent Non-Executive Director in June 2020, having served as Non-Executive Director since April 2018. Graham has extensive international experience from his roles as CEO and Chairman within the broadcast and media technology industry and a track record of successfully identifying industry trends and executing successful business strategies.

Graham brings exceptional experience to the Board, gained from executive and non-executive roles in traditional and new technology segments, including positions with Yospace, Pro–Bel Group Limited, Telestream UK Limited, Snell Corporation Limited, ATG Danmon Limited, Marquis Broadcast Ltd and NTP Technology A/S.

Graham is well-respected within the industry and his extensive range of connections means his presence on the Board contributes both in and outside of meetings.

Graham keeps up to date with sector trends through industry conferences; technical papers; and industry analytical reports. He manages his commercial and governance development by attending relevant seminars and webinars.

In December 2020 Graham, in recognition of his contribution to the Broadcast Industry, was awarded IABM Honorary Membership.

OTHER RELEVANT EXTERNAL APPOINTMENTS:
- Director of Marquis Broadcast Ltd
- Director of NTP Technology A/S
- Director IABM Ltd
- Director of Pitman Executive Solutions Limited
- Advises and invests in broadcast sector early-stage companies

BOARD COMMITTEE MEMBERSHIPS:
- Audit Committee – Member
- Remuneration Committee – Chairman
- Nomination Committee – Member

Richard Logan BA, ICAS
Non-Executive Director

APPOINTED TO THE BOARD:
May 2020

INDEPENDENT:
Yes

SKILLS AND EXPERIENCE:
Richard has had a highly successful career both in private companies and public companies. He has a broad range of experience of AIM quoted companies, acquisitions, finance functions and helping to grow companies.

Most recently Richard served as Chief Financial Officer at Iomart Group PLC, a cloud computing company quoted on AIM, from 2006 until his retirement in 2018. During his tenure, Richard helped grow Iomart from a breakeven, £20 million revenue company to a quoted business with over the £100 million in revenue and adjusted EBITDA of £40 million.

Richard's previous roles within the industry bring a valuable level of experience to the Board. His depth of knowledge of governance and his technical experience of accounting is of particular benefit to our Audit Committee matters, which Richard has chaired since June 2020.

Richard holds a BA in Accountancy from the University of Stirling, is a member of ICAS and in 2013 was Smaller Quoted FD of the Year at the FD Excellence Awards.

Richard attends conferences, webinars and seminars to ensure he is up to date with current developments.

OTHER RELEVANT EXTERNAL APPOINTMENTS:
- NED and Chairman of the Audit Committee of Inspired Energy plc
- NED of Perpetual Topco Limited

BOARD COMMITTEE MEMBERSHIPS:
- Remuneration Committee – Member
- Audit Committee – Chairman
- Nomination Committee – Member

OUR BOARD

Peter Mayhead FCCA, MBA
Group Chief Executive Officer

APPOINTED TO THE BOARD:
January 2018

INDEPENDENT:
No

SKILLS AND EXPERIENCE:
Peter joined the company in 2013, bringing more than 22 years of broadcast industry, financial leadership and executive management experience. Since being appointed as CEO in January 2018, Peter has been instrumental in improving both the short-term short operational performance of the organisation and longer-term growth prospects of the business.

Peter's passion for evolving a company culture based on the foundation of employee and organisational alignment has led to the creation of a clear set of company values. These values are consistently lived across the business in the way we work and behave. This has resulted in a positive and motivated company culture that encompasses our employees' well-being, ability to function effectively, and career success achieved through aligned performance.

During 2020 Peter successfully steered the business through the COVID-19 pandemic, rapidly leading the highly effective organisational shift to remote working whilst ensuring that focus was not lost on the ongoing development of new products and services.

He graduated from Henley Management College in 2011, earning his Masters' degree in Business Administration. As a fellow of the Association of Certified Chartered Accountants Peter attends training and development courses on an ongoing basis to ensure Continuous Professional Development.

Previously, Peter served as CFO of Pro-Bel Ltd where his strong financial skills and management ability played a key role in the management turning the business around and ultimately merging with Snell & Wilcox.

OTHER RELEVANT EXTERNAL APPOINTMENTS:
— None

BOARD COMMITTEE MEMBERSHIPS:
— Executive Board – member

David Dewhurst B.Com, ACA
Group Chief Finance Officer

APPOINTED TO THE BOARD:
October 2020

INDEPENDENT:
No

SKILLS AND EXPERIENCE:
Since joining, David has built excellent working relationships both internally and externally. David is a trusted and valued asset to the Group from corporate decision making and forward planning at Board level to the finance function, with expertise in all facets of accounting, financial management and analysis, controllership and governance. As the business grows, David will be instrumental in dealing with corporate fundraising, mergers and acquisitions, and post-deal integration.

David spent a large part of his career, from 1999 to 2013, as Group Finance Director with Next Fifteen Communications Group plc, an AIM listed international digital marketing group which, during his tenure, grew from £23 million to £100 million in revenues. David played a vital role in the growth of the business both organically and through M&A, supporting its international expansion in Europe, Asia and North America.

From 2014 to 2018 David was Chief Financial Officer of PTS Consulting Group Ltd, a VC-backed IT consulting business with revenues of c.£42 million. There, he helped turn the business around with a £1.5 million improvement in EBITDA.

Most recently, David has been Group Finance Director to Smyle Creative Group Ltd, a PE-backed creative events business with £27 million revenue, later transitioning to board consultant. Here David secured new funding to complete vital infrastructure investments critical to long term growth and generated cash by streamlining working capital processes.

OTHER RELEVANT EXTERNAL APPOINTMENTS:
— None

BOARD COMMITTEE MEMBERSHIPS:
— Executive Board – member

DIRECTORS' REPORT

The directors present the annual report of Pebble Beach Systems Group plc together with the audited Group and Company financial statements for the year ended 31 December 2020, which were approved by the directors on 27 April 2021. The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

A review of the Group's trading and an indication of future developments are contained in the Non-Executive Chairman's Statement and Our Strategy on pages 2, 3 and 4.

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2020 are set out in the consolidated income statement on page 44. The Group has reported an operating profit of £1.5 million (2019: £1.7 million). After accounting for net finance costs, the consolidated Group income statement shows a profit before taxation of £1.1 million (2019: £1.3 million). The net result for the year was a profit of £1.3 million (2019: £1.5 million).

The directors do not recommend payment of a final dividend for the year ended 31 December 2020 (2019: Nil pence per ordinary share).

DIRECTORS

The directors of the Company who served during the year and up to the date of approval of the financial statements are as follows:

- John Varney (Non-Executive Chairman/Director)
- Peter Mayhead (Chief Executive Officer)
- David Dewhurst (Chief Financial Officer) (from 5 October 2020)
- Graham Pitman (Senior Independent Non-Executive Director (SID from 26 June 2020) (NED up to 25 June 2020)
- Richard Logan (Non-Executive Director) (from 1 May 2020)
- Robin Howe (Senior Independent Non-Executive Director to 25 June 2020)

Short biographies of each current director are provided on pages 13 to 14.

Details of the directors' service contracts, letters of appointment, disclosure of interests in shares and options, are given in the Remuneration Report on pages 27 to 31. During the year the Group maintained insurance providing liability cover to its directors and officers.

MATERIAL INTEREST IN CONTRACTS

No director, either during or at the end of the financial year, was materially interested in any significant contract with the Group or any subsidiary undertaking.

SHARE CAPITAL

Details of the Group's share capital are shown in note 23 to the consolidated financial statements.

The Group's share capital comprises one class of ordinary shares and as at 27 April 2021 there were in issue 124,603,134 fully paid ordinary shares of 2.5 pence each. All shares, except for those held by the employees' share trust, are freely transferable and rank pari passu for voting and dividend rights.

The Group has been notified of the following beneficial interests in more than 3 per cent of the Company's issued share capital at 27 April 2021.

Shareholder	Percentage shareholding
Kestrel Partners LLP	29.75%
Hawk Investment Holdings Limited	7.89%
Hargreaves Lansdown Nominees Limited	6.68%
Interactive Investor	5.72%

FINANCIAL RISK MANAGEMENT

The Group's policies on financial risk management are set out in note 3 to the consolidated financial statements.

ENVIRONMENTAL AND SOCIAL RESPONSBILITY

In addition to our committed to robust governance the Board takes regular account of the significance of environmental and social matters.

The following matters fall under the broad definition of Social and Environmental Responsibility:

OUR EMPLOYEES

The Group consider our employees to be our greatest asset and critical to the success of our business. We believe that happy employees, working in a motivated environment, directly contribute to our strategy, performance and reputation.

The Board has a keen interest in the development and morale of the employees. The Group provides employees with access to training carried out both within the organisation and on external accredited courses that are relevant to an employee's role and development.

DIRECTORS' REPORT

We have lines of communication in place to ensure that employees are consulted with and kept informed of issues relevant to them. Staff notices, emails and staff meetings are used to communicate immediate issues to them.

To help staff collaborate and share knowledge efficiently the company uses a software programme, tailored to our own needs, as a live storage and communication tool. This programme also gives access to the company's guidance on staff benefits, including Childcare Vouchers; Computer Discount Scheme; Flexible Working and Working From Home.

The Board reviews the Company's arrangements for its employees to raise concerns in confidence about possible wrongdoing.

Clear statements of behaviour and work ethics of employees are explained in detail within our staff handbook, which includes our Policies on Anti-Bribery; Whistle-blowing; Gifts and Entertainment; Share Dealing; Systems, Internet and Email; Social Networking; Capability Procedures; Disciplinary Procedure; Capability/Disciplinary Appeal Procedure; Grievance Procedure; Personal Harassment Policy and Procedures; and our Equal Opportunities Policy.

During the pandemic in 2020 there was a seamless transition to remote working for our staff as the UK Government imposed a series of lockdowns. Our workforce capability was maintained with no staff redundancies or use of the Government furlough schemes. The move to a remote working model will become permanent during 2021 and this will capture the benefits that some employees have enjoyed over the last year whilst still providing an office base for those that need that.

OUR EQUAL OPPORTUNITIES POLICY

The Group adopts a formal equal opportunities policy.

It is the policy of the Group not to discriminate against, either directly or indirectly, on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy or maternity, race, religion or belief, sex or sexual orientation, and to offer the same employment opportunities, training, career development and promotion prospects to all.

We ensure that the policy is circulated to any agencies responsible for our recruitment and a copy of the policy is made available for all employees and made known to all applicants for employment.

The policy is communicated to all private contractors reminding them of their responsibilities towards the equality of opportunity.

Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person, so far as possible, be identical to that of other employees.

EMPLOYEE SHARE SCHEME INCENTIVES

Pebble Beach Systems Group plc operates a number of share-based incentive schemes on a discretionary basis for the benefit of the Group's employees and its senior management. The aim of the share-based incentive schemes is to align the interests of the employees with those of the Company's shareholders.

To encourage employee interest and participation in the financial performance of the Group, a Pebble Beach Systems Group plc Share Incentive Plan is available for employees.

At 31 December 2020 the Employee Share Ownership Plan (ESOP) held 126,496 shares (2019: 126,496) in the Company, representing 0.1 per cent of the issued share capital (2019: 0.1 per cent). The ESOP has waived its rights to receive dividends.

HEALTH AND SAFETY

It is the policy of the Group to ensure the health and welfare of employees by maintaining a safe place of work. This policy is based on the requirements of national employment legislation in the countries where the Group operates, including the Safety, Health and Welfare at Work Act 1989.

ENVIRONMENTAL MANAGEMENT

The Group is committed to minimising our impact on the environment by reducing our waste and carbon footprint through energy management and recycling schemes.

Our offices use mains-fed machines which filter and cool tap water. These machines have a low energy consumption and do not require plastic bottles and were another step in our journey to becoming more environmentally friendly.

All staff are given a BPA and toxin free water bottle to use in our offices and anywhere else they wish, and this has eliminated the use of plastic drinking cups. This has resulted in a cost saving of circa £4,600 where over 38,000 plastic cups that were not used in the year.

In doing so we are also supporting charities and projects which are focusing on providing clean drinking water to communities which currently have unsafe water sources and also to cleaning up our oceans.

The Group actively encourages all shareholders to contribute towards a greener countryside by registering for our registrar's e-Tree service under which a donation will be made to The Woodland Trust. All funds donated go to their many tree-planting programmes. This can be accessed through the investors' page on the Group website at www.pebbleplc.com.

Our shareholders are encouraged to receive communications from the company in electric form thus helping to reduce environmental impact. The majority of our annual reports and AGM notices are received electronically by our shareholders, who receive notification of when and how to electronically access the documents by simply clicking on the links we provide. For those shareholders who wish to continue to receive printed copies, the documents are posted.

THE IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND THE ENVIRONMENT

Due to the nature of our business, the Group has a minimum impact on the community and environment.

Nonetheless, the Group is committed to minimizing our impact on the environment by reducing our waste and carbon footprint through energy management and recycling schemes. We are conscious of our responsibility and impact of the Company's operations on the community and the environment and our aim is always to minimise environmental impact.

The Group takes account of the need to protect the environment and promote public health and safety and to conduct our activities in order to promote sustainable development.

This includes:

- Establish and maintain a system of environmental management, which collects and evaluates information on environmental, health and safety impacts of activities and then set and monitor targets for continuous improvement;
- Maintain contingency plans for preventing, mitigating and controlling serious environmental and health damage including accidents and emergencies;
- Recycle or re-use wherever possible waste from operations. If this is not possible then waste must be disposed of safely;
- Ensure that the consumption of energy and other resources are minimised;
- Develop products that have no undue environmental impact, are safe to use, are efficient in their consumption of energy and natural resources and can be reused, recycled or disposed of safely;
- Provide training to employees in environmental health and safety matters including the handling of hazardous materials and the prevention of environmental accidents.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group and parent Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;

DIRECTORS' REPORT

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and its transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent Company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Annual Report, confirm that, to the best of their knowledge:

- the Group and parent Company financial statements, which have been prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities, financial position and profit of the Group and loss of the parent Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and parent Company's auditor are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and parent Company's auditor are aware of that information.

DISCLOSURE OF INFORMATION TO THE AUDITOR

In the case of the individuals who are directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- each of the directors has taken all the steps they ought to have taken individually as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 12 Horizon Business Village, 1 Brooklands Road, Weybridge, Surrey, KT13 0TJ on Wednesday 23 June 2021 at 12.00 noon.

In order that social distancing measures may be ensured, shareholders intending to attend in person are asked to register their intention as soon as practicable by either emailing your intent to investors@pebble.tv or by telephone by calling +44 (0) 75 55 59 36 02.

Please see the AGM Notice that accompanies this report for further details.

Share capital resolutions will be proposed at the Annual General Meeting to renew for a further year the directors' authority to allot equity securities for cash other than to existing shareholders on a pro rata basis and to authorise purchases by the Company of its own shares.

GOING CONCERN BASIS

The directors are required to assess the Company's and the Group's ability to continue to trade as a going concern.

At 31 December 2020, the Group's net debt was £7.7 million (2019: £8.4 million), comprising net cash of £0.8 million (2019: £1.1 million) and the drawn down RCF from Santander of £8.5 million (2019: £9.5 million).

We enjoy a close relationship with our bank and have kept up a regular dialogue over the last 12 months during the COVID-19 pandemic. During 2020, we agreed a capital repayment holiday in June 2020 under the Government's initiative, and we also agreed a reduced level of repayment in December 2020. These actions were taken to mitigate potential cashflow risks caused by the uncertainties relating to the pandemic. During 2020 we repaid £1.0 million of the RCF and did not take on any new debt available under the Government loan support schemes. On 10 March 2021, we signed a 12-month extension to the current £8.5 million loan agreement. The agreement secures the facility until 30 November 2022 with revised quarterly repayments and EBITDA covenant test levels reduced to reflect the current trading environment. This agreement was based on the budget for 2021 and forecasts for the following two years.

In order to assess the appropriateness of preparing these financial statements on a going concern basis, management prepared detailed projections of the consolidated income statements, balance sheets and cash flow statements through to 30 June 2022. The starting point was the budget for 2021 approved by the Board and the forecast prepared for the above bank facility review, through to June 2022. A stress test scenario was then created to look only at existing orders and the current order pipeline. The evaluation was divided between new project orders and service support contracts. For new project orders in 2021, individual existing opportunities currently weighted at 50% and higher in the opportunity pipeline were evaluated in detail and included where it was felt that there was a high likelihood of success. For 2022 project revenue, the historically high gross pipeline value was taken, and weighted based on the historic conversion rates achieved in 2020. The support contract revenue was assessed based on existing renewed contracts, where revenue is recognized over the time period of the contract and historic renewal rates for support contracts expiring during 2021. A feature of the COVID-19 pandemic has been delayed decision making by our customers. Sensitivity analysis was therefore performed on the impact of further delays to decision making on the largest five opportunities with a high likelihood of success, in our existing pipeline. The outcome of this was that there would not be any potential going concern issues for the Group.

The Group did not make any redundancies nor place any staff on furlough as the management team navigated a path through the impact of the pandemic. The business made an effective switch to remote working and this will continue beyond the time when restrictions are lifted as many employees have embraced the work life balance choices that they now enjoy. The remote working practices have been extended and refined during the last year and productivity has been high, as any previously experienced delays whilst waiting for clients on site, can be mitigated as our engineers can switch to another project until the client is ready.

The Board has concluded, from its thorough assessment of the detailed forecasts, that the Group will have sufficient resources to meet its liabilities during the review period through to 30 June 2022 and that it is appropriate that the Group and the Company prepare accounts on a going concern basis.

INDEPENDENT AUDITOR

The independent auditor, Grant Thornton UK LLP, has indicated its willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

The Strategic Report and Directors' Report were approved and signed by order of the Board.

John Varney
Non-Executive Chairman
27 April 2021

CORPORATE GOVERNANCE STATEMENT

As Non-Executive Chairman, it is my responsibility, together with my Board, to ensure the Company's medium to long-term success and that the Group remains committed to high standards of corporate governance, which it considers are critical to business integrity and to maintaining investors' and other stakeholders' trust in the Group. The Group seeks to embed honesty, integrity and fairness in its culture, and the behaviour of its people. With an international presence, the Group acts in accordance with the laws and customs of the countries in which it operates; adopts proper standards of business practice and procedure; operates with integrity; and observes and respects the culture of every country in which it does business.

The Group is committed to high standards of corporate governance across all our people, enabling us to conduct business sustainably and responsibly.

In accordance with the AIM Regulation, the Board comply with The QCA Corporate Governance Code (2018 edition) (the QCA Code). The directors comply with the relevant requirements of the QCA Code Guidelines to the extent that they consider it appropriate having regard to the Company's size and the nature of its operations.

Further details of the requirements for AIM companies can be found on our website at www.pebbleplc.com.

The Board reviews the Group's corporate governance procedures from time to time, having regard to the size, nature and resources of the Group to ensure such procedures are appropriate.

THE ROLE OF THE BOARD

BOARD COMPOSITION AND OPERATION

During 2020 and up to the date of publication of this report, the Board consists of the following Board members:

John Varney (Non-Executive Chairman/ Director)

Graham Pitman (Senior Independent Non-Executive Director (SID from 26 June 2020) (NED up to 25 June 2020)

Richard Logan (Non-Executive Director) (from 1 May 2020)

Robin Howe (Senior Independent Non-Executive Director to 25 June 2020)

Peter Mayhead (Chief Executive Officer)

David Dewhurst (Chief Financial Officer) (from 5 October 2020)

The Board considers that the current governance arrangements are suitable for the size of the Group. Each Board meeting has the Non-Executive Chairman, a Senior Independent Non-Executive Director, a Non-Executive Director, the CEO and the CFO present, together with the CTO and Company Secretary. The Board has approved a formal schedule of matters reserved for its decision which it reviews annually.

KEY MATTERS INCLUDE

- Strategy and values;
- Corporate governance;
- Annual operating and expenditure budgets;
- Treasury policies;
- Significant capital and revenue projects;
- Risk management strategies including approach to/appetite for risk;
- Systems for internal control;
- Board and key management appointments;
- Remuneration policies;
- Acquisitions and disposals; and
- Any other matter which has a material consequence for the Group.

The Board has delegated all authorities to senior management other than those contained in the schedule of matters reserved to the Board, on the understanding that they will at all times act in accordance with the best interests of the Group, its shareholders and staff. Their actions will be consistent with the Group's financial and strategic plans and objectives and in conformity with relevant legislation and best practice, and they will report regularly to the Board on the execution of these responsibilities.

In addition, the Board has established three permanent committees: the Audit Committee, the Nomination Committee, and the Remuneration Committee. These operate within defined terms of reference, which are reviewed by the Board annually. Full details of the terms of reference are provided on the Group website at www.pebbleplc.com.

The Board met twelve times during the year, excluding ad hoc meetings convened solely to deal with procedural matters. Attendance at Board and Committee meetings during 2020, expressed as the number of meetings attended compared to the number entitled to attend, was as follows:

	John Varney	Robin Howe	Graham Pitman	Richard Logan	Peter Mayhead	David Dewhurst
Board	12/12	6/6	12/12	9/9	12/12	3/3
Audit	3/3	2/2	3/3	1/1	3/3	1/1
Remuneration	2/2	2/2	2/2	NA	NA	NA
Nomination	3/4*	2/2	4/4	2/2	3/4**	N/A

* Did not attend due to own role or remuneration being discussed.
** Attendance not necessary for the meeting.

TIME COMMITMENT

The Executive Directors are expected to devote substantially the whole of their time, attention and ability to their duties, whereas, as one would expect, the non-executives have a lesser time commitment. The Non-Executive Chairman has committed to spend as much time as is required to meet the needs of the business. It is agreed that each of the Non-Executive Directors will dedicate 2 days per month. The Non-Executive Directors have all confirmed that they are able to allocate sufficient time to meet the expectations of their role, and they are required to obtain the Non-Executive Chairman's agreement (or, in the case of the Non-Executive Chairman, the Chief Executive's agreement) before accepting additional commitments that might affect the time they are able to devote.

BALANCE AND SIZE

The directors consider that the Board is well-balanced and appropriate for the scope and activities of the Group.

At the invitation of the relevant committees, the Non-Executive Chairman usually attends Audit Committee meetings and the Remuneration Committee meetings other than when his own role or remuneration is discussed. Where directors are unable to attend Board meetings they are advised of the matters to be discussed in advance of the meeting and given the opportunity to provide their views to the Non-Executive Chairman or Senior Independent Non-Executive Director.

In addition to the formal scheduled meetings the Board holds informal discussions with Executive Directors and senior operational managers on strategy, business development and other topics important to the Group's progress throughout the year.

APPOINTMENT AND ELECTION OF DIRECTORS

The rules governing the appointment and replacement of directors are set out in the Company's Articles of Association. The Articles provide that all directors offer themselves for re-election at the first AGM subsequent to their appointment and at least once every three years thereafter.

John Varney retires from office by rotation and offers himself for re-election by shareholders. Peter Mayhead retires from office by rotation and offers himself for re-election by shareholders. The Company's Articles of Association require any new directors appointed by the Board to retire from office and offer themselves for election by shareholders at the next Annual General Meeting following their appointment. Being newly appointed to the Board since the last AGM, David Dewhurst offers himself for election at the next AGM in accordance with the Company's articles of association.

All other directors have been re-elected within the last three years. The Board confirms that, having taken into consideration the results of the performance evaluation undertaken in the year, the directors being proposed for re-election and election have demonstrated commitment to their responsibilities and continue to perform effectively, and subject to shareholder approval will be reappointed for a further three years.

Biographical information for each of the directors are set out on pages 13 to 14.

NON-EXECUTIVE CHAIRMAN

John Varney is the Non-Executive Chairman, supported by the other two current Non-Executive Directors.

CORPORATE GOVERNANCE STATEMENT

SENIOR INDEPENDENT DIRECTOR

Shareholders can seek to raise any concerns they may have with the Senior Independent Director, where they have not been addressed through the normal channels of Non-Executive Chairman and Group Company Secretary, or where these channels are not deemed appropriate. The Senior Independent Director is responsible for leading the other Non-Executive Directors in the annual evaluation review of the performance of the Non-Executive Chairman.

THE NON–EXECUTIVE DIRECTORS

The Non-Executive Directors bring external view and insight to the Board, providing a range of experience and knowledge from other industry sectors. The terms of appointment for the Non-Executive Directors are available for inspection, by appointment, at the Group's registered office during normal business hours and for 15 minutes prior to, and during, the Annual General Meeting.

THE COMPANY SECRETARY

The Company Secretary is responsible for ensuring all appropriate information is with the Board and its Committees in order for them to make appropriate decisions. They are also responsible for reporting on all corporate governance issues to the Board.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control although it should be recognised that it can provide only reasonable and not absolute assurance against material misstatement or loss. The effectiveness of the Group's system of internal control has been reviewed by the Board during the year, having special regard to any structural and cultural changes implemented during the year.

The directors confirm that there is an internal control framework and an ongoing process for identifying, evaluating and managing significant risks faced by the Group, which is regularly reviewed by the Board, and that this process was in place throughout the year ended 31 December 2020 and up to the date of this report.

The Group has an internal control system in place which is designed to protect shareholders' investments by safeguarding the assets of the Group and facilitating its efficient operation. The Board considers that strong internal controls are integral to the sound management of the Group, and it is committed to maintaining strict financial, operational and risk management control over all its activities.

The Board aims to take business risks in an informed and proactive manner, such that the level of risk is aligned with the potential business rewards. Management regularly reviews risk exposures against current business risk level tolerances. The aim of risk management is to provide reasonable assurance that the risks associated with achieving business objectives are understood and that these risks are being responded to appropriately at all levels within the organisation.

The key elements of internal control within the Group to monitor the key risks are described below:

CONTROL ENVIRONMENT

There is a clear organisation structure in place, levels of authority are well defined and responsibility for operational control of the business is delegated to senior managers. Whilst management guidelines and a comprehensive management reporting package are in place for all subsidiaries, the Group also monitors these controls by a number of means including regular internal review.

IDENTIFICATION AND EVALUATION OF RISKS AND CONTROL OBJECTIVES

The Board has the primary responsibility for identifying and evaluating the major risks facing the Group and developing appropriate policies and procedures to manage them. It identifies the key risks faced by the Group, and delegates responsibility for managing those risks to executive and senior management. The effectiveness of the risk control procedures in place is reported to the Board on at least an annual basis.

FINANCIAL REPORTING

The Group operates a comprehensive budgeting, financial reporting and forecasting system. The operating segment is required to complete management accounts on a monthly basis which compare actual results with budget, forecast and prior year; these are reviewed at both executive and Board level meetings to ensure that variances and discrepancies are identified and acted upon on a timely basis.

Towards the end of each financial year the operating departments prepare budgets for the following year. The Board reviews budgets before they are formally adopted. The Group reports to its shareholders at the half year and full year ends.

MAIN CONTROL PROCEDURES AND MONITORING SYSTEMS USED BY THE BOARD

There are a number of key control procedures in place that are reviewed on an annual basis by the Board. These cover the key risks faced by the Group and are predominantly of an operational and financial nature.

The Group finance function consolidates the Group results monthly, and a full financial review is presented at each Board meeting, accompanied by appropriate Key Performance Indicators for the Group. Each Group entity compiles forecasts of profits and cash flows reflecting their current expectations, which are also monitored by the Board. Reviews of the performance and financial position of the Group are included in the Non-Executive Chairman's Statement and the Strategic Report on pages 2 to 3, and 4. The Board uses these, together with the Directors' Report on pages 15 to 19, to present a balanced and understandable assessment of the Group's position and prospects.

In addition, the Board considers the following matters:

COMMERCIAL RISK

All significant commercial contracts are reported to the Board and are controlled by the use of appropriate vetting processes and authorisation levels.

INVESTMENT APPRAISAL

The Group has a clearly defined framework for controlling and reporting acquisitions, disposals and capital expenditure including the use of appropriate authorisation levels.

LEGAL MATTERS

Significant litigation and legal matters are reported to the Board.

OPERATING BUSINESS FINANCIAL CONTROLS

The executive management has defined the financial controls and procedures that each operating department is required to comply with. Key controls over major business risks include reviews against Key Performance Indicators and exception reporting. The operating departments make periodic assessments of its exposure to major business risks and the extent to which these risks are controlled. These are reviewed by the executive management and reported to the Board.

STRATEGIC PLANNING

The executive management are responsible for keeping the Board appraised of the Group strategy. The Board reviews strategic plans as part of the ongoing business planning process and has been closely involved in the review of the strategy undertaken during 2020.

COMPUTER SYSTEMS

Much of the Group's financial management information is processed by and stored on computer systems. Accordingly, the Group has established controls and procedures over the security of data held on computer systems.

INSURANCE

The Group's programme of insurance covers the major risks to the Group's assets and business and is reviewed annually by the Board.

INTERNAL AUDIT

The Group does not have an internal audit function although the head office team fulfils some functions of an internal audit department. The directors believe the Group falls into the category of small for this purpose. The Audit Committee reviews the need for an internal audit department at least annually.

BOARD PERFORMANCE EVALUATION

During Q1 2021 the Senior Independent Non-Executive Director, on behalf of the Board, conducted a Board Effectiveness Review for 2020 in accordance with the AIM QCA Code for Board evaluation.

The effectiveness evaluation model developed by Grant Thornton (GT) which was introduced for this process in 2019 was used again for 2020. This process builds a qualitative perspective regarding the effectiveness of the Board with respect to:

- Value creation; how well are the purpose, strategy and culture being developed and communicated?
- Value transformation; how effective is the business model, the relationship with stakeholders the management and the mitigation of principal risks and uncertainties?
- Value protection; how effective is the monitoring and measurement of business performance and the quality of policies governance and compliance?

A series of online 'face to face' interviews were conducted to allow individual Board members to reflect upon the expectations of the model and express their personal views on the degree to which the Board fulfilled its responsibilities and achieved best practice.

Alongside this process each Board Member independently completed a Board Effectiveness Scorecard which provides a quantitative perspective of Board Performance. The Senior Independent Non-Executive Director drew together the data and reported the findings of the review to the whole Board.

CORPORATE GOVERNANCE STATEMENT

A Board discussion took place which considered the results of the process. It was universally agreed that the process had been valuable and it was noted that although Board Members feel empowered to freely express their opinions, there was strong correlation in the findings indicating that the Board as a collective has a clear view of it strengths and weaknesses. The Board gave particular consideration to areas where scores or dialogue either indicated potential for improvement or identified strengths that could be built on. There was one topic where scores were divergent, this was explored to ensure the reasons for this were fully understood.

All Directors agreed that there is a robust and inclusive strategy development process, during which the business purpose, strategy and culture are challenged and refined. This takes place on a formal basis during a 2-day strategy meeting and is supported by a Board Agenda that ensures regular monitoring of progress.

Board meetings and associated committees are considered to be well prepared and conducted and the business pack and presentations provided each month are considered to be relevant and informative.

The Board structure and composition was also debated, it was agreed that the Board has been significantly strengthened over the last two years. However, we remain alert to the potential of drawing in experience and skills for the next phase of the company's development as is necessary.

The Board Agenda for the coming year has taken note of the Board Evaluation Review findings and is structured to ensure all the benefits of the process are taken.

Despite the impact of COVID-19 upon our sector and its wider social impacts the Board feel that company remains in a strong position. Morale throughout the organisation is high and the business has developed into a strong, well-managed company and a sound platform for growth.

THE AUDIT COMMITTEE

MEMBERSHIP AND DUTIES

In the period, Robin Howe chaired the Audit Committee until stepping down from the Board on 25 June 2020. Graham Pitman was appointed Audit Committee Chairman on 26 June 2020 and chaired Committee meetings from thereon, having been on the Board since April 2018. John Varney served on the Committee throughout the year, and Richard Logan attended Committee meetings following his appointment on 1 May 2020.

The Committee also meets with the external auditor without the presence of the Executive Directors, for independent discussions.

The Audit Committee's responsibilities include: making recommendations to the Board regarding the appointment of the external auditor based on its review of the scope of work, cost-effectiveness and independence of the external auditor; keeping under review the effectiveness of the Group's system of internal controls and risk management and reporting to the Board its findings; reviewing the internal control review programme; monitoring the financial reporting process; reviewing and challenging the actions and judgements of management in relation to the interim and annual financial statements before submission to the Board; reviewing the Company's arrangements for its employees to raise concerns in confidence about possible wrongdoing; and reviewing the Company's procedures for detecting fraud.

In order to ensure the independence and objectivity of our auditor, Grant Thornton UK LLP, the Committee regularly reviews the remuneration received by them for audit services, audit-related services and non-audit work. These reviews ensured a balance of objectivity, value for money and compliance with our requirement for independence. The outcome of these reviews was that the performance of non-audit work by our auditor was the most cost-effective way of conducting our business and that no conflicts of interest existed between such audit and non-audit work.

There are certain areas in which the Committee considers that the external auditor can add value to the Group, without compromising their independence. In accordance with the Group's policy on non-audit services, the Group received non-audit services during the year relating to tax compliance and tax advice. Any significant non-audit work undertaken by the external auditor was approved by the Audit Committee to ensure that the auditor's independence was not compromised. These reviews enabled the Audit Committee to confirm that it continues to receive an efficient, effective and independent audit service.

The Audit Committee confirms that it conducted an assessment of the external auditor and determined that adequate policies and safeguards were in place to ensure that their independence and objectivity had not been impaired during 2020.

ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee met two times during 2020 and once up to the date of publication of this report in 2021 and reported its conclusions to the Board.

In these meetings the Audit Committee:

- reviewed the accounting policies;
- reviewed the announcement of the financial results of the Group for the years ended 31 December 2019, 31 December 2020 and the 2020 interim results prior to approval by the Board;
- considered and reviewed the 2019 and 2020 annual reports and financial statements and the 2020 interim report, paying particular attention to critical areas of management judgement, together with the external auditor's findings reports on the annual reports;
- considered, discussed and approved the audit plan with the external auditor for the 2020 audit;
- considered and recommended to the Board the reappointment of the auditor which will be put to shareholders for approval at the AGM;
- reviewed and considered reports from internal control visits and the external auditor on the effectiveness of the system of internal control, and reported to the Board on the results of the review;
- reviewed the reports from management on the Group's main risks and the assessment and mitigation of those risks;
- approved the statutory audit fee for 2020, and reviewed non-audit fees paid to the external auditor to ensure they were in accordance with the Group's policy;
- monitored the independence and undertook an evaluation of the effectiveness of the external auditor;
- reviewed the policies introduced to comply with the UK Bribery Act 2010; and
- reviewed the Code of Conduct which sets out how the Group's employees are able to raise concerns over financial or other irregularities in confidence. This policy was in place throughout the year.

In addition, the Audit Committee reviewed the need for an internal audit department and concluded that there was not a requirement given the present size of the Group and internal control reviews undertaken by the head office function.

FINANCIAL REPORTING

During the year, the Audit Committee reviewed the appropriateness of the Group's interim and full year financial statements, including the consideration of significant financial reporting judgements made by management taking into account reports from management and the external auditor. The main areas of focus considered by the Committee during the year were as follows:

Area of focus	How addressed
Valuation of goodwill and intangible assets The audit committee reviewed the valuation of goodwill and intangible assets to ensure assets are valued correctly and not overstated in the context of the trading performance of the relevant cash generating units.	The audit committee concluded that the conclusion that no impairment was required for either goodwill or intangible assets was reasonable.
Investments impairment assessment The audit committee reviewed the valuation of investments held in subsidiary companies, including judgement and any impairment below carrying value which could have a material impact on the parent company's financial statements.	The audit committee concluded that the conclusion that no additional impairment was required for investments, other than that the investment in Legacy Broadcast Group Holdings Ltd should be written down by £5.2 million, was reasonable.
Going Concern The audit committee has reviewed the forecast which shows steady costs and an improvement in profitability. They have also considered sensitivities within the forecast.	The audit committee is satisfied that there is sufficient headroom within the forecast.

CORPORATE GOVERNANCE STATEMENT

THE NOMINATION COMMITTEE

John Varney chairs the Nomination Committee. Graham Pitman served on the Committee throughout 2020. Richard Logan served on the Committee following his appointment on 1 May 2020. The Group Company Secretary also attends the meetings.

The Nomination Committee reviews the structure, size and composition of the Board. It also ensures that there is adequate succession planning in regard to Board and senior management appointments.

There were four formal meeting of the Committee during the year.

THE REMUNERATION COMMITTEE

Details of the Remuneration Committee are provided in the Remuneration Report as set out on pages 27 to 31.

RELATIONS WITH SHAREHOLDERS

The Board welcomes enquiries from both institutional and private investors throughout the year and responds either verbally or in writing to enquiries received from both. The Non-Executive Directors are available to attend meetings with shareholders if they are requested to do so.

The Group, via its website, provides up-to-date information on the Group and its operating subsidiaries, including all stock exchange announcements and downloadable copies of the most recent report and financial statements and interim statements. The website also provides a communication channel to the Group via email. Shareholders may elect to receive all shareholder documents electronically by registering with the Group's registrars.

The Group uses its AGM as an opportunity to communicate with its shareholders and encourages their participation. As in previous years, shareholders will have the opportunity for a question and answer session with members of the Board for the next AGM on 23 June 2021.

Further details are included in the notice of the meeting which separately accompanies the annual report and can be viewed on the Company's website: www.pebbleplc.com.

The notice of the AGM is sent to shareholders, and is available on the Company website, at least 21 clear days in advance of the date of the meeting and contains details of the separate resolutions that are proposed for shareholder approval. Separate resolutions are proposed on each substantially different issue and the number of proxy votes cast for each resolution is disclosed by the Chairman at the meeting. Shareholders have the option of submitting their voting instructions electronically or by returning the personalised proxy form which separately accompanies the annual report.

Documents relating to the Company's governance and the full terms of reference of its standing Committees are also available on the Company's website: www.pebbleplc.com.

By order of the Board

John Varney
Non-Executive Chairman
27 April 2021

REMUNERATION REPORT

On behalf of the Remuneration Committee I am pleased to present our remuneration report for the financial year ended 31 December 2020, which has been approved by the Board.

COMMITTEE ACTIVITIES

The responsibilities of the Committee are to advise upon and make recommendations to the Board on the Group's remuneration policies and, within the framework established by the Board, to recommend the remuneration of the Executive Directors.

I have chaired the Committee since 26 June 2020, when Robin Howe stepped down from the Board, and was assisted by John Varney throughout 2020, and Richard Logan from 1 May 2020.

No member of the Committee has any personal financial interest (other than as a shareholder), conflicts of interest arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board.

The Remuneration Committee measures the performance of the Executive Directors and key members of senior management as a prelude to recommending their annual remuneration, bonus awards and share plan awards to the Board for final determination. The remuneration of the Non-Executive Directors is recommended by the Executive Directors and takes account of the time spent on Board and Committee matters. The Board as a whole will make the final determination, but no director plays a part in any discussion about his own remuneration.

The focus is on ensuring that a competitive and appropriate base salary is paid to directors and senior managers, together with incentive arrangements that are aligned with shareholders' interests and with long-term business strategies, being transparent, and measured against challenging benchmarks.

REMUNERATION POLICY

The information provided in this part of the Annual Report on remuneration is not subject to audit.

The date from which it is intended by the Company that the remuneration policy is to take effect is 1 January 2021.

The following table sets out the main elements of the remuneration policy for the year ended 31 December 2021. Each year, the Remuneration Committee reviews the remuneration policy, taking into account both the external market (including environmental, social and corporate governance issues) and the Company's strategic objectives over the short and the medium term. The framework has been designed as an integral part of the Company's overall business strategy.

REMUNERATION REPORT

Component	Purpose and Link To Strategy	How Operated	Maximum Potential Value	Performance Measures
SALARY AND FEES	To attract and retain high-calibre individuals by providing an appropriate level of basic fixed income whilst avoiding excessive risk arising from over-reliance on variable income. The basic salary reflects the market rate for the individual, their role, skills and experience.	Generally reviewed annually (with any change effective 1 January) but exceptionally at other times of the year. Set with reference to individual performance, experience and responsibilities. Benchmarked against appropriate companies by the Remuneration Committee. The Remuneration Committee periodically benchmarks salaries based on market assessments, the intention being that basic salaries should not normally be increased by more than the rate of inflation each year whilst progressively increasing the performance-related element of pay. However, for senior managers the amount of performance-related pay, being a combination of cash bonus and long-term incentives, is expected to increase over time.	N/A	N/A
ALL TAXABLE BENEFITS	To aid retention and be competitive in the marketplace. Healthcare benefits in order to minimise business disruption.	Car allowance (CEO only) Fuel (CEO only) Medical insurance (CEO & CFO) Permanent health insurance (CEO & CFO) Life assurance (CEO & CFO)	N/A	N/A
ANNUAL BONUSES	To incentivise the achievement of key financial and strategic targets for the forthcoming year without encouraging excessive risk taking.	The Remuneration Committee considers and approves the measures and targets at the start of each year and ensures they are aligned with business strategy and are sufficiently stretching. In setting financial parameters, the Remuneration Committee takes into account the Company's internal budgets and, where applicable, investors' expectations. No bonus is to be earned unless broker's forecasts for adjusted operating profit is achieved. In the absence of a broker's forecast, bonus entitlement will be determined by the Board according to a pre-agreed formula. The targets applying to financial measures are based on a sliding scale. Paid in cash. Not pensionable.	For the CEO, up to 100% of base salary. For the CFO, up to 75% of base salary.	Adjusted operating profit (defined for this purpose as profit from continuing operations before net finance costs, amortisation of acquired intangibles, non-recurring items and taxation) (50%). Orders received (25%) Revenue (25%).
PENSIONS	To aid retention and remain competitive in the marketplace.	For the Executive Directors' annual pension, the CEO has an allowance up to 10 per cent of base salary; the CFO has an allowance up to 5 per cent of base salary. There is no pension entitlement for Non-Executive Directors.	N/A	N/A

SERVICE CONTRACTS

For the period under review, 2020, the following changes within the Board took place:

Richard Logan was appointed on 1 May 2020;

Robin Howe stepped down from the Board on 25 June 2020;

David Dewhurst was appointed on 5 October 2020;

Graham Pitman, who has been on the Board since April 2018, took on the role of Senior Independent Non-Executive Director and Chairman of the Remuneration Committee on 26 June 2020, following Robin Howe stepping down from the Board.

The directors' service contracts are available for inspection by appointment during business hours on any weekday between the date of the notice and the Annual General Meeting at the Company's registered office and at the venue of the Annual General Meeting from 15 minutes prior to the commencement until its conclusion. Should a stakeholder wish to inspect the service contracts we request that you register to do so by email at investors@pebble.tv or by telephone by calling +44 (0) 75 55 59 36 02 so that an appointment may be arranged. Please see the AGM Notice that accompanies this report, and page 18 for further details of our AGM.

POLICY ON PAYMENT FOR LOSS OF OFFICE

All payments due will normally be made in accordance with the Contract of Employment and Service Agreement of the executive concerned and will be sufficiently detailed to ensure transparency.

REPORT ON EXECUTIVE DIRECTORS' REMUNERATION DIRECTORS' EMOLUMENTS

The remuneration of the Executive Directors for the years 2019 and 2020 is below:

AGGREGATE DIRECTORS' REMUNERATION (AUDITED)

Directors' emoluments and pension contributions for the year ended 31 December 2020 were as follows:

	Basic salary and fees £000	Bonus £000	Benefits £000	Emoluments before pension contributions £000	Pension contributions £000	2020 Total £000	2019 Total £000
Executive Directors							
Peter Mayhead	168	–	12	180	17	**197**	304
David Dewhurst (from 5 October)	37	–	–	37	2	**39**	–
Non–executive Directors							
John Varney	70	–	–	70	–	**70**	70
Robin Howe (to end June)	20	–	–	20	–	**20**	40
Graham Pitman	32	–	–	32	–	**32**	30
Richard Logan (from 1 May)	20	–	–	20	–	**20**	–
	347	–	12	359	19	**378**	444

BENEFITS

Benefits for the CEO include the provision of a company car, life assurance, private medical insurance and permanent health insurance. For the company car, the company will pay road tax, insurance and maintenance expenses. This will be subject to the appropriate benefit-in-kind tax.

Benefits for the CFO include life assurance, private medical insurance and permanent health insurance.

REMUNERATION REPORT

PERFORMANCE-RELATED BONUS

The Remuneration Committee establishes the objectives that must be met each financial year for a cash bonus to be paid to Executive Directors. Bonus parameters address the financial performance of the Group.

For the year ended 31 December 2020 the Remuneration Committee proposed an Executive Bonus Scheme based upon 100% of the CEO's annual base salary for attainment of stretch targets for orders, revenue and EBIT.

The targets were not met, and no Executive bonus was paid during 2020.

TOTAL PENSION ENTITLEMENTS

The Group operates a defined contribution pension scheme and it is the Group's policy that only basic salaries are pensionable for Executive Directors.

There are no pension arrangements for the Non-Executive Directors. There are no unfunded pension promises or similar arrangements for current or previous directors.

DIRECTORS' INTEREST IN SHARE AWARD SCHEMES

A) LONG TERM INCENTIVE PLAN (LTIP)

The plc Company LTIP was introduced in 2008, and an extension approved on 30 May 2012. It is designed to reward and retain executives over the long term whilst aligning their interests with those of shareholders.

Options have been granted as nil cost options under this scheme. The options granted under this scheme are generally exercisable at the end of the performance period and for seven years thereafter. Awards under this scheme are subject to performance criteria, the scales relating to which are determined by the Remuneration Committee. Peter Mayhead is the holder of options over 100,000 shares under an award made on 3 June 2014.

No LTIP awards were made to Executive Directors in the year ended 31 December 2020.

B) SHARE OPTIONS

No share options were proposed or adopted for 2020.

DIRECTORS' INTERESTS IN SHARES

The table below shows the interests of the directors in office at the end of the year in the share capital of the Company.

	At 31 December 2020	At 31 December 2019
Executive Directors		
Peter Mayhead	**2,177**	2,177
David Dewhurst	**Nil**	N/A
Non–Executive Directors		
John Varney	**1,062,229**	1,062,229
Robin Howe	**N/A**	1,482,578
Graham Pitman and his PCA	**702,068**	702,068
Richard Logan	**235,000**	N/A

The following changes took place in the interests of the directors between 31 December 2019 and 31 December 2020:

Richard Logan purchased 235,000 Ordinary Shares of 2.5 pence each in the share capital of the Company ("Ordinary Shares") at 10.3 pence per share on 20 May 2020.

STATEMENT OF VOTING AT GENERAL MEETING

At the last AGM held on 25 June 2020, resolutions of the following kind were moved by the Company in respect of:

- A resolution to approve the Directors' Remuneration Report for the year ended 31 December 2019.

The Group is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to directors' remuneration, the reasons for any such vote will be sought, and any actions in response will be detailed here.

POLICY REPORT APPROVAL

This report was approved by the Board of directors on 27 April 2021 and signed on its behalf by:

Graham Pitman
Senior Independent
Non-Executive Director
Chairman of the Remuneration
Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEBBLE BEACH SYSTEMS GROUP PLC

OPINION

OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of Pebble Beach Systems Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in shareholders' equity, the Consolidated statement of cash flows, the Company income statement, the Company statement of financial position, the Company statement of changes in shareholders' equity, the Company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit and the parent company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

OUR APPROACH TO THE AUDIT

Grant Thornton

OVERVIEW OF OUR AUDIT APPROACH

Overall materiality:

- Group: £126,000, which represents 1.5% of the group's revenue for the year.
- Parent company: £125,000, which represents 0.5% of the parent company's total assets as at the year end.

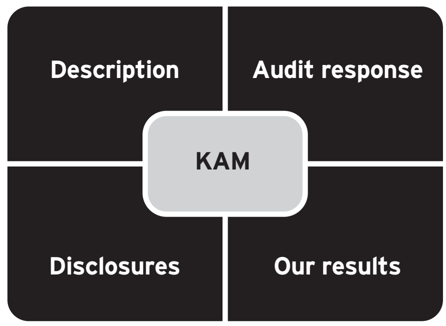
Key audit matters were identified as:

- Revenue recognition (group) – consistent with the previous year;
- Valuation of goodwill on consolidation and other intangible assets (group) – consistent with the previous year;
- Valuation of investment in subsidiaries (parent company) - consistent with the previous year; and
- Going concern (group and parent company) – new in the current year.

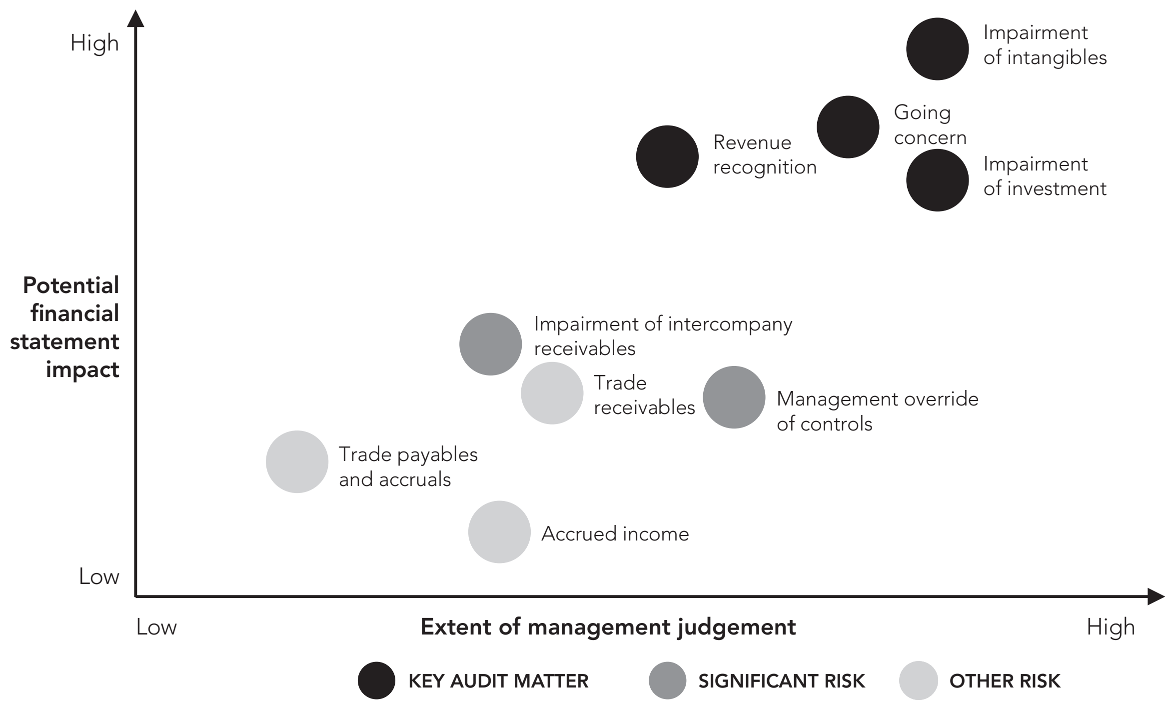
We performed a full-scope audit on the financial statements of Pebble Beach Systems Group Plc and Pebble Beach Systems Ltd. We performed a specific-scope audit on Pebble Broadcast Systems Inc and analytical procedures on the remaining Group components.

KEY AUDIT MATTERS

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



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEBBLE BEACH SYSTEMS GROUP PLC

Key Audit Matter – Group	How our scope addressed the matter – Group
Revenue recognition We identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. Revenue is recognised throughout the group as the fair value of consideration receivable in respect of the performance of contracts and the provision of services. The revenue recorded by the group is one of the key determinants of the group's underlying profitability and is one of the group's Key Performance Indicators. The total amount of revenue recognised during the year ended 31 December 2020 was £8.4 million (2019: £11.2 million). The application of IFRS 15 is an area requiring significant judgement by management. In particular, there is an elevated risk of material misstatement due to fraud in new contracts in the year with more than one performance obligation, existing contracts recognising revenue on a percentage completion basis over time and software sales unpaid at year end. As a result, there is an element of judgement in determining the amount of revenue to be recognised in each reporting period.	In responding to the key audit matter, we performed the following audit procedures: • Assessed whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 15, and whether management accounted for revenue in accordance with the accounting policies; • Understood the design and implementation of processes and controls through which the business initiates, records and recognises revenue transactions; • For a sample of new contracts in the year, we developed an understanding of the key performance obligations by obtaining copies of contracts and evaluated management's assessment of performance obligations, allocation of contract proceeds and subsequent revenue recognition to determine that the revenue has been recognised in accordance with the terms of contract and revenue recognition policy; • We tested a further sample of revenue transactions to obtain further audit evidence supporting the revenue recognised during the year, such as proof of delivery of goods, approved timesheets and confirmations from customers; and • For contracts that spanned the year end, we re-calculated the expected deferred and accrued income and compared our expectations against management's calculation of revenue recognised in the year, investigating any differences where necessary.
Relevant disclosures in the Annual Report and Accounts 2020 • Financial statements: Note 5, Segmental Reporting	**Our results** Overall, based on our audit work, we found that the judgements made by management were consistently applied and we did not identify any material misstatement in the revenue recognised in the year to 31 December 2020.

Key Audit Matter – Group	How our scope addressed the matter – Group
Valuation of goodwill on consolidation and other intangible assets We identified the valuation of goodwill on consolidation and other intangible assets as one of the most significant assessed risks of material misstatement due to error. The assessment of impairment of goodwill is carried out annually under IAS 36 'Impairment of Assets' on a cash generating unit (CGU) basis. Where there are indicators of impairment of other intangible assets an impairment assessment is required. Calculating the value in use, through forecasting cash flows related to CGUs and the determination of the appropriate discount rate and other assumptions to be applied, is highly judgemental and as a result of the subjectivity associated with selecting the assumptions, can be subject to management bias. The selection of certain inputs into the cash flow forecast can significantly impact the results of the impairment review. Any impairment of the carrying value of such assets could have a material impact on the group's financial statements. We identified significant management judgements in the following areas: • the weighted average cost of capital ('WACC') for each CGU used to discount the cash flows within the group's impairment assessment, which is the most sensitive assumption in the cash flow forecast; • the assumptions of expected future cash flows associated with the CGUs used which are highly sensitive to variations in the short-term cash flow growth assumptions; and • the impact of the COVID-19 pandemic. We identified an increased level of risk in comparison to the prior year due to the reduction in the associated cash flows across the group resulting from COVID-19.	In responding to the key audit matter, we performed the following audit procedures: • Understood and assessed the design and implementation of the group's process and key controls around the carrying value of goodwill. In particular, those assessing the selection of key assumptions within the impairment assessment; • Considered the completeness of management's assessment of impairment indicators for other intangible assets; • Tested the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends; • Updated our understanding of discounted cash flow models with reference to current performance; • Examined management's impairment assessment, inspecting in detail the key underlying assumptions in the discounted cash flow models; • Assessed each of the key assumptions in turn against available evidence and sensitised management's model determining the impact of changes in the discount rate and growth rate. We also compared the key assumptions used by management in determining the discount rate and long-term growth with market data for reasonableness; • Assessed management's assessment of the risks and implications of COVID-19, together with mitigating actions that management would take; and • Assessed relevant sensitivities in combination to determine their collective impact on the valuation of the goodwill on consolidation and other intangible assets.
Relevant disclosures in the Annual Report and Accounts 2020 • Financial statements: Note 12, Intangible Assets • Audit committee report: Page 24	**Our results** Based on our audit work, we are satisfied that the valuation methodologies and assumptions made in management's assessment of goodwill impairment are appropriate. We consider that the group's disclosure is in accordance with IAS 36 and have identified no material misstatements in the underlying calculations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEBBLE BEACH SYSTEMS GROUP PLC

Key Audit Matter – Group	How our scope addressed the matter – Group
Going concern We have identified going concern as one of the most significant assessed risks of material misstatement due to fraud and error as a result of the judgement required to conclude whether there is a material uncertainty related to going concern. COVID-19 and Brexit are the most significant economic events for the UK, and at the date of this report there is an unprecedented level of uncertainty as to the ultimate impact of these events on the group. In undertaking their assessment of going concern for the group the directors considered the impact of the following COVID-19 and Brexit-related events in their forecast future performance of the group and anticipated cash flows: • the current financing available to the group and associated debt covenants; and • the potential impact on revenues generated from new customers resulting from the impact of COVID-19. The directors have concluded, based on the various scenarios developed, that the group has sufficient resources available to meet its liabilities as they fall due and have concluded that there are no material uncertainties around the going concern assumptions.	In responding to the key audit matter, we performed the following audit procedures: • Obtained an understanding of key controls over management's going concern models, including those over the inputs and assumptions used in the models; • Evaluated the Board approved stress test forecast to June 2022 which support the use of the going concern basis of preparation and challenged the key assumptions made by management in preparing the stress test forecast; • Compared prior year forecast figures to the current year actual results to assess the accuracy of significant judgements made by management in the prior year; • Compared post year-end management accounts against the stress test forecast prepared by management to assess the accuracy of the forecast prepared; • Performed sensitivity analysis of their stress test forecast and assessed if this appropriately considers reasonably possible adverse movements; • Corroborated key assumptions, such as predicted order book conversation rates compared to historical performance, the timing of revenue recognition in comparison to the current stage of completion of projects and orders and outlay of expenditure compared to prior year actuals used in management's going concern analysis, challenging management where necessary; and • Evaluated events that occurred post balance sheet date and challenged management as to whether these have been correctly reflected in the forecasts prepared, including corroborating evidence of significant revenue contracts signed post year end and the proposed revenue recognition of these.
Relevant disclosures in the Annual Report and Accounts 2020 Financial statements: Note 2, Significant Accounting Policies Audit committee report: Page 24	**Our results** Based on our audit work, we are satisfied that the assumptions made in management's assessment of the use of the going concern assumption in preparation of financial statements were appropriate. We consider that the group's disclosure to be in accordance with IAS 1.

Key Audit Matter – Parent company	How our scope addressed the matter – Parent company
Valuation of investment in Pebble Beach System Limited We identified valuation of the investment in Pebble Beach Systems Limited as one of the most significant assessed risks of material misstatement due to error. The assessment of the carrying value of investments in Pebble Beach System Limited involves judgement. Specifically, when determining if indicators of impairment are present and estimating any impairment of the carrying value of such assets, which could have a material impact on the parent company's financial statements.	In responding to the key audit matter, we performed the following audit procedures: • Examined management's impairment assessment, evaluating the assessment of CGUs identified by management and inspecting in detail the key underlying assumptions in the discounted cash flow models; • Updated our understanding of discounted cash flow models with reference to current performance through discussions with management and key operational personnel; • Assessed each of the key assumptions in turn against available evidence and sensitised management's model determining the impact of changes in the discount rate and growth rate used. We also compared the key assumptions used by management in determining the discount rate and long-term growth with market data for reasonableness; and • Assessing management's assessment of the risks and short term implications of COVID-19, together with mitigating actions that management would take.
Relevant disclosures in the Annual Report and Accounts 2020 Financial statements: Note H, Investment in Subsidiaries Audit committee report: Page 24	**Our results** Sufficient, appropriate audit evidence was obtained to conclude that no impairment was necessary for the investment in Pebble Beach Systems Limited.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEBBLE BEACH SYSTEMS GROUP PLC

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

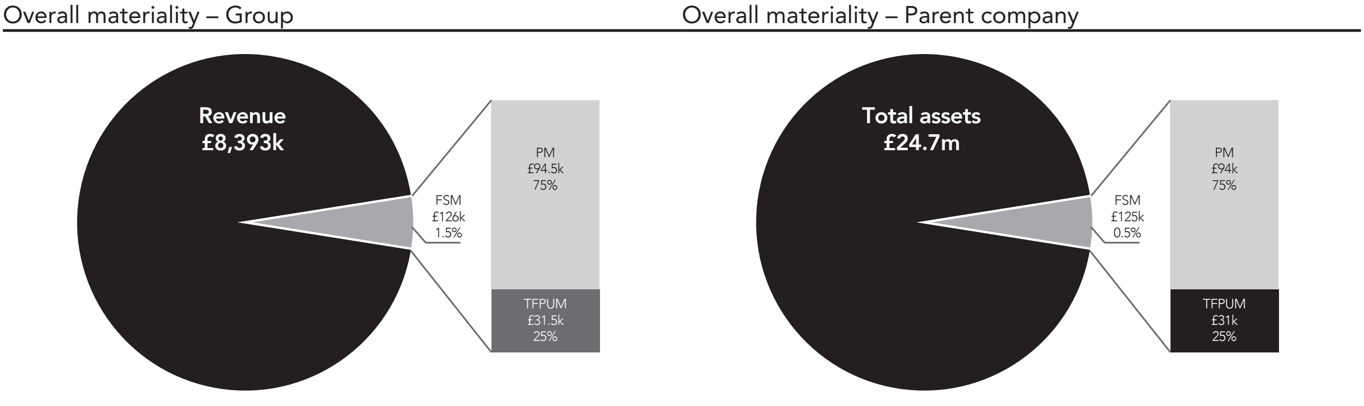
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£126,000 which is 1.5% of the group's revenue for the year and 11.4% of the group's profit before tax for the year.	£125,000 which is 0.5% of the parent company's total assets, restricted to be lower than group materiality as it is a component of the group.
Significant judgements made by auditor in determining the materiality	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements: We have consistently used group revenue as the underlying benchmark. We selected this benchmark as this is the prominent driver of business performance. We also considered qualitative factors such as what amount would turn a profit into a loss when making our determination. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 to reflect the reduction in revenue during the year.	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements: We have consistently used the parent company's total assets as the underlying benchmark. This is considered to be the most appropriate benchmark as the company's purpose is that of holding investments in subsidiary entities. The company does not undertake any trading activities. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 as a result of the impact of the component materiality restriction applied in the current year.
Significant revision of materiality threshold that was made as the audit progressed	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual revenue for the year ended 31 December 2020 and adjusted our audit procedures accordingly.	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality subsequent to the restrictions applied to reflect group materiality and adjusted our audit procedures accordingly.

Materiality measure	Group	Parent company
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£94,500 which is 75% of financial statement materiality.	£93,750 which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: • Our prior year experience with auditing the financial statements; and • Few adjustments being identified in prior years.	In determining performance materiality, we made the following significant judgements: • Our prior year experience with auditing the financial statements; and • Few adjustments being identified in prior years.
Significant revision of performance materiality threshold that was made as the audit progressed	We calculated performance materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on our re-assessment of materiality and adjusted our audit procedures accordingly.	We calculated performance materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based our re-assessment of materiality and adjusted our audit procedures accordingly.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality threshold	We determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£8k and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£8k and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEBBLE BEACH SYSTEMS GROUP PLC

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

- An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

— Understanding the group, its components, and their environments, including group-wide controls

- Evaluating the Group's internal control environment, documenting controls relevant to the audit and performing process walkthroughs and documenting, and assessing, the relevant controls covering the Key Audit Matters and certain other risks in the financial reporting system identified as part of our risk assessment.

Identifying significant components

- Determining the scope of the Group audit based on the relative contribution of revenue, expenses and net assets of each component to the Group. Pebble Broadcast Systems Inc was identified as a significant component determined by calculating the size of its revenue as a percentage of group revenue.

— Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- We performed a full scope audit on the financial statements of Pebble Beach Systems Group Plc and Pebble Beach Systems Ltd. We performed a full scope audit on Legacy Broadcast Group Holdings Ltd and Pebble Beach Systems R&D Ltd, but for Group purposes, analytical procedures were undertaken for those group companies. We performed specific-scope audit procedures on Pebble Broadcast Systems Inc. Analytical procedures were performed on the remaining Group components;
- At the group level we also tested the consolidation process and carried out analytical procedures for the remaining components to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of those remaining components;
- We identified the going concern assumption, revenue recognition and carrying value of goodwill on consolidation and other intangible assets as key audit matters relating to the group and the procedures performed in respect of these have been included in the Key Audit Matters section of our report.

— Performance of our audit

- 100% of the Group's revenue, gross assets and profit were included in the scope of our full scope and specific-scope audit procedures based on the above strategy, which is consistent with the prior year. The planned audit responses were targeted at revenue, trade debtors, trade creditors, payroll and accruals and deferred income.

- Other information

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

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

We have nothing to report in this regard.

- Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

- Matter on which we are required to report under the Companies Act 2006

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

- Matters on which we are required to report by exception

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

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

- Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEBBLE BEACH SYSTEMS GROUP PLC

- Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant which are directly relevant to the financial statements are those related to the reporting frameworks (IFRS, the Companies Act 2006 and the QCA Corporate Governance Code) and AIM rules.

In addition, we concluded that there are certain significant laws and regulations, such as Employment Law that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to employee matters.

We understood how Pebble Beach Systems Group Plc is complying with those legal and regulatory frameworks by making enquiries of management and the company secretary. We corroborated our enquiries through our review of board minutes and correspondence received from regulatory bodies.

We assessed the susceptibility of the group and parent company's financial statements to material misstatement, including how fraud might occur, by making enquires of management and those charged with governance. We utilised internal and external information to corroborate these enquiries and to perform a fraud risk assessment. We considered the risk of fraud to be highest through the potential for management override of controls.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on material manual journals, those posted directly to cash and subledger control accounts, and those impacting areas of estimation uncertainty;
- challenging assumptions and judgements made by management in its significant accounting estimates;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the entity's operations, including the nature of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- the applicable statutory provisions.

We assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
- knowledge of the industry in which the client operates;
- understanding of the legal and regulatory requirements specific to the entity including:
  - — the provisions of the applicable legislation;
  - — the applicable statutory provisions.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Bishop FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
28 April 2021

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020** **£000**	2019 £000
Revenue	5	**8,393**	11,200
Cost of sales		**(1,964)**	(2,931)
Gross profit		**6,429**	8,269
Sales and marketing expenses		**(1,687)**	(2,044)
Research and development expenses		**(1,263)**	(1,298)
Administrative expenses		**(1,870)**	(2,247)
Foreign exchange gain/(loss)		**15**	(71)
Other expenses	6	**(156)**	(889)
Operating profit	6	**1,468**	1,720
Operating profit is analysed as:			
Adjusted operating profit		**2,658**	3,765
Exchange gains/(losses) credited/(charged) to the income statement	6	**15**	(71)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**2,673**	3,694
Depreciation		**(234)**	(238)
Amortisation and impairment of acquired intangibles		**(156)**	(889)
Amortisation of capitalised development costs		**(815)**	(847)
Finance costs	8	**(374)**	(393)
Finance income	8	**1**	2
Profit before tax		**1,095**	1,329
Tax	9	**199**	82
Profit for the year being profit attributable to owners of the parent		**1,294**	1,411
Net profit from discontinued operations	17	**–**	39
Net profit for the year		**1,294**	1,450

Earnings per share from continuing and discontinued operations attributable to the parent during the year			
Basic earnings per share			
From continuing operations		**1.0p**	1.1p
From profit for the year	11	**1.0p**	1.1p
Diluted earnings per share			
From continuing operations		**1.0p**	1.1p
From profit for the year	11	**1.0p**	1.1p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £000	2019 £000
Profit for the financial year	**1,294**	1,450
Other comprehensive income – items that will not be reclassified subsequently to profit or loss:		
Exchange difference on translation of overseas operations		
– continuing operations	**26**	19
Total comprehensive income for the financial year	**1,320**	1,469

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	**2020** £000	2019 £000
Assets			
Non-current assets			
Intangible assets	12	**5,001**	4,671
Property, plant and equipment	13	**1,208**	1,182
Deferred tax assets	22	**–**	3
Total non-current assets		**6,209**	5,856
Current assets			
Inventories	14	**148**	140
Trade and other receivables	15	**3,125**	3,468
Cash and cash equivalents	16	**826**	1,144
Total current assets		**4,099**	4,752
Liabilities			
Current liabilities			
Financial liabilities – borrowings	19	**1,800**	1,520
Trade and other payables	18	**4,059**	4,466
Lease liabilities – current	21	**145**	139
Total current liabilities		**6,004**	6,125
Net current liabilities		**(1,905)**	(1,373)
Non-current liabilities			
Financial liabilities – borrowings	19	**6,750**	8,030
Lease liabilities – non-current	21	**1,020**	1,046
Deferred tax liabilities	22	**–**	249
Total non-current liabilities		**7,770**	9,325
Net liabilities		**(3,466)**	(4,842)
Equity attributable to owners of the parent			
Ordinary shares	23	**3,115**	3,115
Share premium	24	**6,800**	6,800
Capital redemption reserve	24	**617**	617
Merger reserve	24	**29,778**	29,778
Translation reserve	24	**(150)**	(176)
Accumulated losses		**(43,626)**	(44,976)
Total deficit		**(3,466)**	(4,842)

The financial statements on pages 44 to 83 were approved by the Board of directors on 27 April 2021 and were signed on its behalf by:

John Varney
Non-Executive Chairman

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Ordinary shares £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Translation reserve £000	Accumulated losses £000	Total £000
At 1 January 2019	3,115	6,800	617	29,778	(195)	(46,453)	(6,338)
Share based payments: value of employee services	–	–	–	–	–	27	27
Transactions with owners	–	–	–	–	–	27	27
Retained profit for the year	–	–	–	–	–	1,450	1,450
Exchange differences on translation of overseas operations	–	–	–	–	19	–	19
Total comprehensive income for the period	–	–	–	–	19	1,450	1,469
At 31 December 2019	3,115	6,800	617	29,778	(176)	(44,976)	(4,842)
At 1 January 2020	**3,115**	**6,800**	**617**	**29,778**	**(176)**	**(44,976)**	**(4,842)**
Share based payments: value of employee services	**–**	**–**	**–**	**–**	**–**	**12**	**12**
Unclaimed dividends	**–**	**–**	**–**	**–**	**–**	**44**	**44**
Transactions with owners	**–**	**–**	**–**	**–**	**–**	**56**	**56**
Retained profit for the year	**–**	**–**	**–**	**–**	**–**	**1,294**	**1,294**
Exchange differences on translation of overseas operations	**–**	**–**	**–**	**–**	**26**	**–**	**26**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**26**	**1,294**	**1,320**
At 31 December 2020	**3,115**	**6,800**	**617**	**29,778**	**(150)**	**(43,626)**	**(3,466)**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020 £000**	2019 £000
Cash flows from operating activities			
Cash generated from operations	25	**2,484**	2,423
Interest paid		**(374)**	(393)
Taxation paid		**(46)**	(38)
Net cash generated from operating activities		**2,064**	1,992
Cash flows from investing activities			
Interest received		**1**	2
Purchase of property, plant and equipment	13	**(107)**	(61)
Expenditure on capitalised development costs	12	**(1,301)**	(985)
Net cash used in investing activities		**(1,407)**	(1,044)
Cash flow from financing activities			
Net cash used in repayment of financing activities		**(1,000)**	(1,100)
Net cash used in financing activities		**(1,000)**	(1,100)
Net decrease in cash and cash equivalents and overdrafts		**(343)**	(152)
Effect of foreign exchange rate changes		**25**	27
Cash and cash equivalents and overdrafts at 1 January		**1,144**	1,269
Cash and cash equivalents and overdrafts at 31 December	16	**826**	1,144

Net debt comprises:			
Cash and cash equivalents and overdrafts		**826**	1,144
Borrowings		**(8,550)**	(9,550)
Net debt at 31 December		**(7,724)**	(8,406)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

Pebble Beach Systems Group plc ("the Company") and its subsidiaries (together "the Group") is a leading global software business specialising in playout automation and content management solutions for the broadcast and streaming service markets.

The Group employs over 80 people worldwide.

The Company is listed on the AIM market of the London Stock Exchange (AIM: PEB). For further information, visit www.pebbleplc.com.

The Company is incorporated and domiciled in the UK. The address of its registered office is 12 Horizon Business Village, 1 Brooklands Road, Weybridge, KT13 0TJ.

The registered number of the Company is 04082188.

2. SIGNIFICANT ACCOUNTING POLICIES

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 years presented, unless otherwise stated.

BASIS OF ACCOUNTING

The Group financial statements have been prepared on a going concern basis under the historical cost basis of accounting, except where fair value measurement is required under IFRS as described below and in accordance with International Financial Reporting Standards (IFRS), and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the Group financial statements, are disclosed in note 4.

During the current reporting year there were no new standards or amendments which had a material impact on the net assets of the Group. Standards or amendments issued but not yet effective are not expected to have a material impact on the net assets of the Group.

GOING CONCERN BASIS

The directors are required to assess the Company's and the Group's ability to continue to trade as a going concern.

At 31 December 2020, the Group's net debt was £7.7 million (2019: £8.4 million), comprising net cash of £0.8 million (2019: £1.1 million) and the drawn down RCF from Santander of £8.5 million (2019: £9.5 million).

We enjoy a close relationship with our bank and have kept up a regular dialogue over the last 12 months during the COVID-19 pandemic. During 2020, we agreed a capital repayment holiday in June 2020 under the Government's initiative, and we also agreed a reduced level of repayment in December 2020. These actions were taken to mitigate potential cashflow risks caused by the uncertainties relating to the pandemic. During 2020 we repaid £1.0 million of the RCF and did not take on any new debt available under the Government loan support schemes. On 10 March 2021, we signed a 12-month extension to the current £8.5 million loan agreement. The agreement secures the facility until 30 November 2022 with revised quarterly repayments and EBITDA covenant test levels reduced to reflect the current trading environment. This agreement was based on the budget for 2021 and forecasts for the following two years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

In order to assess the appropriateness of preparing these financial statements on a going concern basis, management prepared detailed projections of the consolidated income statements, balance sheets and cash flow statements through to 30 June 2022. The starting point was the budget for 2021 approved by the Board and the forecast prepared for the above bank facility review, through to June 2022. A stress test scenario was then created to look only at existing orders and the current order pipeline. The evaluation was divided between new project orders and service support contracts. For new project orders in 2021, individual existing opportunities currently weighted at 50% and higher in the opportunity pipeline were evaluated in detail and included where it was felt that there was a high likelihood of success. For 2022 project revenue, the historically high gross pipeline value was taken, and weighted based on the historic conversion rates achieved in 2020. The support contract revenue was assessed based on existing renewed contracts, where revenue is recognized over the time period of the contract and historic renewal rates for support contracts expiring during 2021. A feature of the COVID-19 pandemic has been delayed decision making by our customers. Sensitivity analysis was therefore performed on the impact of further delays to decision making on the largest five opportunities with a high likelihood of success, in our existing pipeline. The outcome of this was that there would not be any potential going concern issues for the Group.

The Group did not make any redundancies nor place any staff on furlough as the management team navigated a path through the impact of the pandemic. The business made an effective switch to remote working and this will continue beyond the time when restrictions are lifted as many employees have embraced the work life balance choices that they now enjoy. The remote working practices have been extended and refined during the last year and productivity has been high, as any previously experienced delays whilst waiting for clients on site, can be mitigated as our engineers can switch to another project until the client is ready.

The Board has concluded, from its thorough assessment of the detailed forecasts, that the Group will have sufficient resources to meet its liabilities during the review period through to 30 June 2022 and that it is appropriate that the Group and the Company prepare accounts on a going concern basis.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2020. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from the intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

BUSINESS COMBINATIONS

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of assets transferred, the liabilities assumed and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the Group is recognised at the fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Costs directly attributable to an acquisition are charged directly to the income statement as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

SEGMENTAL REPORTING

The Group's internal organisational and management structure and its system of internal financial reporting to the Board of directors comprise of Pebble Beach Systems and PLC costs. The chief operating decision-maker has been identified as the Board.

The Board reviews the Group's internal financial reporting in order to assess performance and allocate resources. Management have therefore determined that the operating segments for the Group will be based on these reports.

The Pebble Beach Systems business is responsible for the sales and marketing of all Group software products and services.

GEOGRAPHIC REGION REPORTING

Group management are focused on developing global revenue growth from the Broadcast market. Geographic reporting of revenue is therefore provided by reference to geographic region.

FOREIGN CURRENCY TRANSLATION

(A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group financial statements are presented in pounds sterling (GBP), which is the Company's functional and presentation currency.

(B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(C) GROUP COMPANIES

Trading results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate of exchange prevailing at the reporting date;
- income and expenditure for each income statement are translated at the average rates of exchange prevailing during the year; and
- all resulting exchange differences arising from restatement of the opening statements of financial position and trading results of overseas subsidiaries are recognised as a separate component of shareholders' equity.

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 rate.

INTANGIBLE ASSETS

(A) GOODWILL

Goodwill represents the excess of the fair value of the purchase consideration for the interest in subsidiary undertakings over the fair value to the Group of the net assets acquired, including acquired intangible assets and any contingent liabilities.

The assumptions have been determined and they are consistent with past experience and external information. Management is not currently aware of any reasonable possible changes to key assumptions that would cause a unit's carrying amount to exceed its recoverable amount.

Goodwill is tested annually or more frequently if events or circumstances indicate potential impairment. Impairment losses are recognised for the amount by which an asset's carrying amount exceeds its recoverable amount; that recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Impairments of goodwill are not reversed. Gains and losses on the disposal of an entity will be net of the carrying amount of goodwill relating to the entity sold.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually.

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

(B) ACQUIRED INTANGIBLES

Intangible assets acquired as part of business combinations are capitalised at fair value at the date of acquisition. Following the initial recognition, the carrying amount of an intangible asset is its cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on the basis of the estimated useful life on a straight-line basis and the expense is taken to the income statement (note 12).

The Group has recognised customer relationships, intellectual property and brands as separately identifiable acquired intangible assets. The useful economic life attributed to each intangible asset is determined at the time of acquisition and ranges from five to ten years.

Impairment reviews are undertaken when the directors consider that there has been a potential indication of impairment.

(C) RESEARCH AND DEVELOPMENT COSTS

Research expenditure is written off as incurred.

Where development expenditure meets the criteria for capitalisation as set out in IAS 38 "Intangible Assets" the costs are capitalised.

The capitalised development costs met the following criteria:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software
- the software will generate probable future economic benefits.

Any development costs not meeting these criteria for capitalisation were expensed as incurred.

- the identification of development costs. In general, the Group's research and development activities are closely interrelated and it is not until the technical feasibility of a product can be determined with reasonable certainty that development costs are separately identifiable; and
- the generation of future economic benefit. Intangible assets are not recognised unless the resultant product is expected to generate future economic benefit in excess of the amount capitalised.

Development costs are amortised over the estimated useful life of the products with which they are associated. Amortisation commences when a new product is in commercial production. The amortisation period ranges from one to five years. If a product becomes unviable the deferred development costs are written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated in order to write off the cost of property, plant and equipment, other than land, over their estimated useful lives by equal annual instalments using the following rates:

Freehold land and buildings	2 per cent for buildings No depreciation on land
Leasehold improvements	The remaining term of the lease
Fixtures and fittings	10 per cent
Plant, tools, test and computer equipment	10 per cent – 33 per cent

LEASES

At inception of a contract, the Group assesses whether it is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a time in exchange for consideration. A contract conveys the right to control the use of an asset, if the Group receives substantially all of the economic benefits from its use over time and controls how it is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease using the same assessment.

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost. Cost comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of its useful life or the end of the lease term. Useful life is determined on the same basis as other property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortised cost using the effective interest method.

The Group has elected not to recognise right of use assets and lease liabilities for leases that have a term of 12 months or less. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost represents direct costs incurred and, where applicable, production or conversion costs and other costs to bring the inventory to its existing condition and location. Inventory is accounted for on a standard cost basis. Net realisable value comprises the actual or estimated selling price less all further costs to completion, and less all costs to be incurred in marketing, selling and distribution. Provisions for inventories are recognised when the book value exceeds its net realisable value. The Group makes provision for slow-moving, obsolete and defective inventory as appropriate.

SHARE CAPITAL

Ordinary shares are classified as equity. Proceeds in excess of the nominal value of shares issued are allocated to the share premium account and are also classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are deducted from the share premium account.

Where shares are issued in part or full consideration for the acquisition of more than 90 per cent of the issued share capital of another company, the excess of value attributed to the shares over the nominal value of shares issued is allocated to the merger reserve. The merger reserve is also classified as equity.

FINANCIAL INSTRUMENTS

RECOGNITION AND DERECOGNITION

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

CLASSIFICATION AND INITIAL MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group's financial liabilities include borrowings, trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorised as FVTPL or FVOCI.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within expenses.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is not dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Trade receivables and amounts owed by equity accounted investments, are classified in the amortised cost category under IFRS 9 as they are held within a business model to collect contracted cash flows and these cash flows consist solely of payments of principal and interest.

(A) TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value, being the original invoice amount, and subsequently measured at amortised cost less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Trade receivables that are less than three months past due are not considered impaired unless there are specific financial or commercial reasons that lead management to conclude that the customer will default. Older debts are considered to be impaired unless there is sufficient evidence to the contrary that they will be settled. The amount of the provision is the difference between the assets' carrying value and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement.

When a trade receivable is uncollectable it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

(B) CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of less than three months.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, together with bank overdrafts where applicable.

(C) TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due 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.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(D) BORROWINGS

Bank borrowings are recognised at effective interest rate method.

CURRENT AND DEFERRED TAXATION

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income. Management evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in respect of all temporary differences except where the deferred tax liability arises from the initial recognition of goodwill in business combinations.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and tax losses, to the extent that they are regarded as recoverable. They are regarded as recoverable where, on the basis of available evidence, there will be suitable taxable profits against which the future reversal of the underlying temporary differences can be deducted. The carrying value of the amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part, of the tax asset to be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted at the reporting date.

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

EMPLOYEE BENEFITS

(A) PENSION OBLIGATIONS

The Group employees are members of defined contribution money purchase schemes where the obligations of Group companies are charged to the income statement as they are incurred. The Group has no further obligations once the contributions have been paid.

(B) SHARE BASED COMPENSATION

The Group operates a number of equity-settled, share based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) in the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, the Group's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity 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 original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

There were no transactions during the year.

(C) EMPLOYEE SHARE OWNERSHIP PLAN

The Group's Employee Share Ownership Plan (ESOP) is a separately administered trust. There were no ESOP transactions during the year. The Company guarantees liabilities of the ESOP, and the assets of the ESOP mainly comprise shares in the Company. The assets, liabilities, income and costs of the ESOP have been included in the Group financial statements. When the options are exercised the company assesses whether it is in shareholders' best interest to issue new shares, or to offer a cash alternative.

REVENUE RECOGNITION

CONTRACTS WITH MULTIPLE PERFORMANCE OBLIGATIONS

Many of the Group's contracts comprise a variety of performance obligations including, but not limited to, hardware, software, elements of design and customisation, after-sales services, and installation. Under IFRS 15, the Group must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- the customer benefits from the item either on its own or together with other readily available resources, and
- it is 'separately identifiable' (ie the Group does not provide a significant service integrating, modifying or customising it).

The revenue is divided into the following streams:

(A) SALES OF SERVICES (SOFTWARE)

The Group sells software for new installations. Revenue represents amounts receivable from external customers for goods sold by Group companies in the ordinary course of business and excluding value added tax. The sales price and payment terms are agreed at the time of order.

The performance obligation for sales of software is met and revenue is recognised at the 'point in time' when the software is despatched as this is when the customer takes undisputed control. This is appropriate as software is not significantly customised nor subject to significant integration services that could not be performed by a third party.

(B) SALE OF GOODS (HARDWARE)

The Group sells hardware for new installations. Revenue represents amounts receivable from external customers for goods sold by Group companies in the ordinary course of business and excluding value added tax. The sales price and payment terms are agreed at the time of order. The performance obligation is met and revenue recognised at the 'point in time' when the goods are transferred to the customer, and the receipt of payment can be assured. Ownership of the goods transfers to the customer when the goods are shipped from the Group's premises.

For stand-alone sales of hardware that are neither customised by the Group nor subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods.

(C) CONSTRUCTION CONTRACTS (INSTALLATION)

From time to time the Group enters into contracts that involve complex development that will take a number of months to complete and may involve the delivery of multiple components. These are treated as construction contracts. Judgement will be required here to determine whether these should be bundled together or treated as distinct performance obligations. It is not expected that this will materially change the period over which revenue is recognised. Revenue represents the man-days required to complete the installation.

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. This is measured by the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable such costs will be recoverable.

All contract liabilities are calculated based on the value of the initial deposit paid by the customer, deducting any work completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(D) SUPPORT CONTRACTS

The main services the Group provides are ongoing support for its software in use. These are transaction processing to customers in exchange for a fee covering a fixed period of time. Revenue is recognised on a straight-line basis over the term of each contract. As the amount of work required to perform under these contracts does not vary significantly from month to month, the straight-line method provides a faithful depiction on the transfer of goods or services.

For other sales of services, unless the contract qualifies as a construction contract, revenue is recognised in the accounting period in which the performance obligations are satisfied and assessed on the basis of the actual service provided as a proportion of the total services to be provided. Only the costs that reflect work performed to date are included in the costs of sale.

Any amounts paid by customers to the Group are generally non-refundable according to standard terms and conditions. Standard payment terms are specified on our quotation sent to the customer. The company provides warranties for goods that are in line with those provided by its suppliers. Costs to obtain contracts prior to receipt of order are expensed immediately, unless material. Sales commissions and costs incurred after receipt of order are recognised in line with the transfer of goods or services to the customer, in accordance with IFRS 15. Consideration does not need to be adjusted because it is expected that the customer will settle within agreed terms.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group identified, under IFRS 15, that the only capitalised contract cost where required, is commission. Commission cost is capitalised and released in line with revenue recognition. At the point of sale, price is agreed within the contract. The transaction price is individually allocated across software, hardware, installation and support. Any variations in the contracts do not result in variable consideration.

Most such arrangements include detailed customer payment schedules. When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the statement of financial position under other liabilities.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

INTEREST INCOME

Interest income is recognised based on the effective rate as received.

DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

The directors do not recommend payment of a final dividend for the year ended 31 December 2020.

NON-RECURRING ITEMS

These are material items excluded from management's assessment of profit because by their nature they could distort the Group's underlying quality of earnings. These are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects on the Group's financial performance.

Risk management policy is carried out through a central treasury function within the executive management team at the Group's head office. The treasury function identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management while the central treasury function provides specific policy guidance for the operating units in terms of managing market risk, credit risk and cash and liquidity management.

(A) MARKET RISK

(I) FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily between the US dollar and GBP. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

At a transactional level the UK business has a broadly neutral exposure to foreign currency transactions, in that their revenues in euros and US dollars match their purchases. Foreign currency bank accounts are maintained to minimise exchange risk by trading currencies into sterling only when forecast surpluses or deficits are expected to arise. The flow of cash from the USA to the UK businesses is managed by central treasury in order to minimise the risk to the Group.

The exchange risk to the Group in terms of its reported results lies in the translation of the results and net assets and liabilities of the US business from US dollars to GBP. The Group's accounting policy is to translate the profits and losses of overseas operations using the average exchange rate for the financial year and the net assets and liabilities of overseas subsidiaries at the year end exchange rate. It continues to be the Group's policy not to hedge the foreign currency exposures on the translation of overseas profits or losses and net assets or liabilities to sterling as they are considered to be accounting rather than cash exposures.

The principal exchange rates used by the Group in translating overseas profits and net assets into GBP are set out in the table below:

Rate compared to £ sterling	**Average rate 2020**	Average rate 2019	**Year end rate 2020**	Year end rate 2019
US dollar	**1.284**	1.277	**1.365**	1.321

Where overseas acquisitions are made, it is the Group's policy to arrange any borrowings required in local currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. FINANCIAL RISK MANAGEMENT CONTINUED

It is the Group's policy not to trade in financial instruments. The Group does not use interest rate swaps. The Group does not speculate in foreign currencies and no operating company is permitted to take unmatched positions in any foreign currency. The Group will use borrowings in currencies other than GBP where appropriate to specific transactions, such as overseas acquisitions. This policy has been in force throughout the financial year and remains so.

If the results for the year to 31 December 2019 had been translated at the 2020 average rate then the translation impact would be to reduce the prior year revenue by £5,000 and reduce the profit before tax by £3,000.

(II) CASH FLOW INTEREST RATE RISK

Cash flow interest rate risk comprises the interest rate price risk that results from borrowing at both fixed and variable rates of interest. The current interest charge on the Group's RCF facility is 3.5 per cent plus LIBOR.

(B) CREDIT RISK

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances.

Credit risk arises with cash balances and accounts receivables. The Group's cash deposits are held at banks that have been carefully selected, taking into consideration their individual external credit ratings (note 16).

Each local subsidiary is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. It is the Group's policy to obtain deposits from customers where possible, particularly overseas customers. In addition, the Group will seek confirmed letters of credit for the balances due. The nature of the customer base (for example, national TV stations, government procurement agencies) makes the use of credit insurance inappropriate. Credit risk is managed at the operating business unit level and monitored at the Group level to ensure adherence to Group policies. If there is no independent rating, the finance function assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

(C) LIQUIDITY RISK

Any material loss through ineffective investment of cash would undermine our ability to generate growth in shareholder value. Similarly, an inability to access these funds would undermine the Group's ability to meet its financial obligations. We have assessed the likelihood of loss to be low but with a high potential impact.

The main exposure to risk is from borrowings and other liabilities. The risk is monitored using rolling cash flow forecasts and is managed through the availability of committed credit lines and borrowing facilities.

On 10 March 2021 an extension of the current loan agreement was signed with our bank. The revision secures the facility until 30 November 2022 with banking covenants and a repayment schedule in place.

As per the amended facilities agreement, the Group has an obligation to comply with the simplified banking covenants as well as complying with an agreed amortisation profile. In order to ensure full compliance, the Group's executive management prepare thirteen-week forecasts on a monthly basis to ensure ongoing obligations will be met.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one year £000	Between one and two years £000	Between two and five years £000	Total £000
At 31 December 2020:				
Bank loans (secured)	**1,800**	**6,750**	**–**	**8,550**
Trade and other payables*	**4,059**	**–**	**–**	**4,059**
At 31 December 2019:				
Bank loans (secured)	1,520	8,030	–	9,550
Trade and other payables*	4,466	–	–	4,466

* Included within trade and other payables is accrued interest on the RCF facility of £Nil (2019: £Nil).

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with other businesses, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statement of financial position) less cash and cash equivalents.

Total capital is the sum of equity plus net debt (or less net cash) being £4.2 million at 31 December 2020 (2019: £3.6 million).

FAIR VALUE ESTIMATION

The carrying value of trade receivables (less impairment provision) and financial liabilities are assumed to approximate to their fair value. The carrying value of goodwill and intangible assets is reviewed on an annual basis utilising a discounted cash flow approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, management have made accounting judgements in the determination of the carrying value of certain assets and liabilities. Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes will differ from those assumptions and estimates.

JUDGEMENTS

The Group has the following significant judgements recognised in the financial statements:

RECOGNITION OF SERVICE AND INSTALLATION CONTRACT REVENUES

As revenue from support agreements and installation contracts is recognised over time. The amount of revenue recognised in a reporting period depends on the extent to which the performance obligation has been satisfied. For support agreements and installation contracts this requires an estimate of the quantity of the services to be provided, based on historical experience with similar contracts. In a similar way, recognising revenue for installation contracts also requires significant judgement in determining the estimated number of hours required to complete the promised work.

SHARE-BASED PAYMENTS

A number of accounting judgements are incorporated within the calculation of the charge to the income statement in respect of share-based payments. These are described in more detail in note 23.

BAD DEBT PROVISION

A number of judgements are incorporated within the calculation of the charge to the income statement in respect of a specific bad debt provision.

ESTIMATES

The Group has the following significant estimates recognised in the financial statements:

IMPAIRMENT OF GOODWILL

In assessing impairment, management estimates the recoverable amount of each cash generating unit based on expected future cash flows and uses a suitable discount rate in order to calculate the present value. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Details of the impairment review are provided in note 12.

5. SEGMENTAL REPORTING

The directors believe that adjusted EBITDA provides additional useful information on underlying trends to shareholders. This measure is used by management for internal performance analysis and incentive compensation arrangements. The term "adjusted" is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. The principal adjustments are made in respect of depreciation, the amortisation of acquired intangibles and capitalised development costs, non-recurring items and exchange gains or losses charged to the income statement.

The segment information provided to the Board for the reportable continuing segments for the year ended 31 December 2020 is as follows:

Segmental reporting by division	Pebble Beach Systems £000	PLC costs £000	**Total £000**
Year ended 31 December 2020			
Income statement:			
Broadcast	8,393	–	**8,393**
Total revenue	8,393	–	**8,393**
Adjusted EBITDA	3,234	(576)	**2,658**
Depreciation	(234)	–	**(234)**
Amortisation of acquired intangibles	(156)	–	**(156)**
Amortisation of capitalised development costs	(815)	–	**(815)**
Exchange (losses)/gains	(3)	18	**15**
Finance costs	(40)	(334)	**(374)**
Finance income	1	–	**1**
Intercompany finance income/(costs)	217	(217)	**–**
Profit/(loss) before taxation	2,204	(1,109)	**1,095**
Taxation	(152)	351	**199**
Profit/(loss) for the year being attributable to owners of the parent	2,052	(758)	**1,294**
Segment assets			
Non-current assets	6,209	351	**6,560**
Current assets	3,935	164	**4,099**
Total assets	10,144	515	**10,659**
Total liabilities	(5,126)	(8,999)	**(14,125)**
Total net assets/(liabilities)	5,018	(8,484)	**(3,466)**
Other segment items			
Capital expenditure	107	–	**107**
Capitalised development expenditure	1,301	–	**1,301**
Depreciation	234	–	**234**
Amortisation of intangibles	971	–	**971**

PLC costs represent corporate expenses.

Segment assets include property, plant and equipment, goodwill, other intangibles, inventories, trade receivables and operating cash. Segment assets exclude inter-segment investments. Segment liabilities comprise operating liabilities, taxation and segmental provisions for liabilities and charges. Segmental assets and liabilities exclude amounts owed to/ from other segments.

Segmental capital expenditure comprises additions to property, plant and equipment.

The results of discontinued operations are presented in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

5. SEGMENTAL REPORTING CONTINUED

Segmental reporting by division	Pebble Beach Systems £000	PLC costs £000	**Total £000**
Year ended 31 December 2019			
Income statement:			
Broadcast	11,200	–	**11,200**
Total revenue	11,200	–	**11,200**
Adjusted EBITDA	4,418	(653)	**3,765**
Depreciation	(238)	–	**(238)**
Amortisation of acquired intangibles	(889)	–	**(889)**
Amortisation of capitalised development costs	(847)	–	**(847)**
Exchange gains/(losses)	(78)	7	**(71)**
Finance costs	(42)	(351)	**(393)**
Finance income	2	–	**2**
Intercompany finance income/(costs)	128	(128)	**–**
Profit/(loss) before taxation	2,454	(1,125)	**1,329**
Taxation	84	(2)	**82**
Profit/(loss) for the year being attributable to owners of the parent	2,538	(1,127)	**1,411**
Segment assets			
Non-current assets	5,856	–	**5,856**
Current assets	4,606	146	**4,752**
Total assets	10,462	146	**10,608**
Total liabilities	(5,485)	(9,965)	**(15,450)**
Total net assets/(liabilities)	4,977	(9,819)	**(4,842)**
Other segment items			
Capital expenditure	61	–	**61**
Capitalised development expenditure	985	–	**985**
Depreciation	238	–	**238**
Amortisation of intangibles	1,736	–	**1,736**

GEOGRAPHIC EXTERNAL REVENUE ANALYSIS AND REVENUE BY STREAM

The revenue analysis in the table below is based on the geographic location of the customer for each business.

	2020 £000	2019 £000
By market:		
UK and Europe	**4,855**	5,272
North America	**842**	982
Latin America	**333**	1,602
Middle East and Africa	**2,114**	3,114
Asia/Pacific	**249**	230
Total revenue by market	**8,393**	11,200
By segment stream:		
Hardware transferred at a point in time	**706**	1,650
Software transferred at a point in time	**2,297**	4,274
Installation transferred over time	**1,413**	1,658
Support transferred over time	**3,977**	3,618
Total revenue by stream	**8,393**	11,200

Non-current assets, other than financial instruments and deferred tax, located in the UK are £6.2 million (2019: £5.9 million) and rest of world £Nil (2019: £Nil).

6. OPERATING PROFIT

The following items have been included in arriving at the operating profit for the continuing business:

	2020 £000	2019 £000
Depreciation of property, plant and equipment	**234**	238
Amortisation of acquired intangibles	**156**	889
Exchange (gains)/losses (credited)/charged to the income statement	**(15)**	71
Research and development expenditure expensed in the year which includes:	**1,263**	1,298
– Amortisation of capitalised development costs	**815**	847

SERVICES PROVIDED BY THE GROUP'S AUDITOR AND NETWORK FIRMS

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor at costs detailed below:

	2020 £000	2019 £000
Analysis of fees payable to Grant Thornton UK LLP		
Audit of the parent company and consolidated financial statements	**16**	14
Audit of the Company's subsidiaries	**36**	38
	52	52
Taxation compliance services	**18**	16
Taxation advisory services	**24**	3
Other non-assurance services	**–**	12
	94	83

A description of the work of the Audit Committee is set out in the corporate governance statement on pages 20 to 26 and includes an explanation of how the auditor's objectivity and independence is safeguarded when non-audit services are provided by the auditor.

7. DIRECTORS AND EMPLOYEES

Staff costs during the year for the continuing business were as follows:

	2020 £000	2019 £000
Wages and salaries	**4,185**	4,216
Social security costs	**439**	404
Other pension costs – defined contribution plans (note 26)	**146**	119
Share based payment expense (note 23)	**12**	27
	4,782	4,766

The monthly average number of employees employed by the continuing Group during the year was as follows:

	2020 Number	2019 Number
Average monthly number of employees		
Broadcast sales and marketing	**16**	14
Technology	**24**	20
Logistics	**23**	22
General and Admin	**14**	11
	77	67

The average number of employees includes directors with service contracts. The total number of employees at 31 December 2020 was 81 (2019: 72).

Key management compensation for the continuing business:

	2020 £000	2019 £000
Short term employee benefits – including salaries, social security costs and non-monetary benefits	**838**	903
Post-employment benefits – defined contribution pension plans	**37**	25
Terminations	**76**	–
Share based payment expense (note 23)	**12**	27
	963	955

The analysis of key management compensation above includes Executive Directors. Key management is defined as the senior management teams in each of the business units of the Group. Details of directors' emoluments are included in the remuneration report on pages 27 to 31.

8. FINANCE COSTS

	2020 £000	2019 £000
Interest expense for bank borrowing	**334**	351
Interest expense for leasing arrangements	**40**	42
Total finance costs	**374**	393
Finance income	**(1)**	(2)
Finance costs – net	**373**	391

Finance income is derived from cash held on deposit.

9. INCOME TAX EXPENSE

A) ANALYSIS OF THE TAX CHARGE IN YEAR

	2020 £000	2019 £000
Current tax		
UK corporation tax	**–**	–
Foreign tax – current year	**35**	50
Adjustments in respect of prior years	**11**	–
Total current tax	**46**	50
Deferred tax		
UK deferred tax	**(276)**	(132)
Effect of changes in UK tax rate	**26**	–
Adjustments in respect of prior years	**5**	–
Total deferred tax	**(245)**	(132)
Total taxation	**(199)**	(82)

B) FACTORS AFFECTING TAX CHARGE FOR YEAR

The charge for the year can be reconciled to the profit in the income statement as follows:

	2020 £000	2019 £000
Profit before tax on continuing operations	**1,095**	1,329
Tax at the UK corporation tax rate of 19.00% (2019: 19.00%)	**208**	252
Adjustments in respect of prior years	**16**	–
Permanent differences	**4**	6
Enhanced R&D tax relief	**(235)**	(243)
Foreign tax	**35**	50
Losses utilised	**(9)**	(95)
Depreciation of NQAs	**1**	1
Current year losses not recognised	**(248)**	(68)
Effect of changes in UK tax rate	**29**	15
Total taxation	**(199)**	(82)

At Budget 2020, the government announced that the corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19 per cent. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

There is no income tax arising from any component of other comprehensive income.

10. DIVIDENDS AND RETURNS TO SHAREHOLDERS

	2020 £000	2019 £000
Final dividend paid of nil pence per share (2019: nil pence per share)	**Nil**	Nil

The directors do not recommend payment of a final dividend for the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive shares are those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

	2020 Weighted average number of shares 000s	2019 Weighted average number of shares 000s
Weighted-average number of ordinary shares (basic)	**124,477**	124,477
Effect of LTIPs outstanding	**100**	100
Effect of share options outstanding	**2,285**	–
Weighted-average number of ordinary shares (diluted) at 31 December	**126,862**	124,577

Reconciliation of the earnings and weighted average number of shares used in the calculations are set out below.

	2020			2019		
	Earnings £000	**Weighted average number of shares 000s**	**Earnings per share pence**	Earnings £000	Weighted average number of shares 000s	Earnings per share pence
Basic earnings per share						
Profit attributable to continuing operations	**1,294**		**1.0p**	1,411		1.1p
Profit attributable to discontinued operations	**–**		**0.0p**	39		0.0p
Basic earnings per share	**1,294**	**124,477**	**1.0p**	1,450	124,477	1.1p
Diluted earnings per share						
Profit attributable to continuing operations	**1,294**		**1.0p**	1,411		1.1p
Profit attributable to discontinued operations	**–**		**0.0p**	39		0.0p
Diluted earnings per share	**1,294**	**126,862**	**1.0p**	1,450	124,577	1.1p

ADJUSTED EARNINGS

The directors believe that adjusted EBITDA, adjusted earnings and adjusted earnings per share provide additional useful information on underlying trends to shareholders. These measures are used by management for internal performance analysis and incentive compensation arrangements. The term "adjusted" is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. The principal adjustments are made in respect of the amortisation of acquired intangibles, share based payment expense and exchange gains or losses charged to the income statement and their related tax effects.

The reconciliation between reported and underlying earnings and basic earnings per share is shown below:

	2020 £000	**2020** Pence	2019 £000	2019 Pence
Reported earnings per share	**1,294**	**1.0p**	1,450	1.1p
Amortisation of acquired intangibles	**126**	**0.1p**	738	0.6p
Share based payment expense	**12**	**0.0p**	27	0.0p
Exchange (gains)/losses	**(12)**	**0.0p**	58	0.1p
Adjusted earnings per share	**1,420**	**1.1p**	2,273	1.8p

12. INTANGIBLE ASSETS

	Goodwill £000	Acquired customer relationships £000	Acquired intellectual property £000	Capitalised development costs £000	Total £000
Cost					
At 1 January 2019	3,218	4,493	3,350	3,137	14,198
Additions	–	–	–	985	985
At 1 January 2020	3,218	4,493	3,350	4,122	15,183
Additions	–	–	–	1,301	1,301
At 31 December 2020	**3,218**	**4,493**	**3,350**	**5,423**	**16,484**
Accumulated amortisation					
At 1 January 2019	–	3,588	3,210	1,978	8,776
Charge for the year	–	749	140	847	1,736
At 1 January 2020	–	4,337	3,350	2,825	10,512
Charge for the year	–	156	–	815	971
At 31 December 2020	**–**	**4,493**	**3,350**	**3,640**	**11,483**
Net book value					
At 31 December 2020	**3,218**	**–**	**–**	**1,783**	**5,001**
At 31 December 2019	3,218	156	–	1,297	4,671
At 1 January 2019	3,218	905	140	1,159	5,422

The estimated useful life for the intellectual property and customer relationships acquired with the business of Pebble Beach Systems has been determined to be five years and six years respectively based on the expected future cash flows that they would generate.

The amortisation of development costs is included in research and development expenses in the Consolidated Group Income Statement. Within development costs there are £2.4 million (2019: £1.6 million) of fully written down assets that are still in use.

The amortisation of customer relationships, brands and intellectual property are all charged to other expenses in the Consolidated Income Statement and are referred to as the amortisation of acquired intangibles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

12. INTANGIBLE ASSETS CONTINUED

IMPAIRMENT TEST FOR CASH-GENERATING UNITS CONTAINING GOODWILL

Historical goodwill acquired in business combinations was allocated, at acquisition, to the cash-generating units (CGUs) that were expected to benefit from those business combinations, being the markets that the Group served.

In accordance with the requirements of IAS 36 "Impairment of assets", goodwill is required to be tested for impairment on an annual basis, with reference to the value of the cash-generating units in question. The carrying value of goodwill at 31 December 2020 is £3.2 million (2019: £3.2 million) which relates solely to Pebble Beach Systems.

The carrying value of Pebble Beach Systems (including goodwill) has been assessed with reference to value in use over a projected period of five years with a terminal value. This reflects projected cash flows based on actual operating results and approved budget, strategic plans and management projections.

The key assumptions on which the value in use calculations are based relate to business performance over the next five years, long term growth rates beyond 2020 and the discount rate applied. The forecast business performance assumes an average growth rate of 11 per cent each year over the next five years and a terminal growth rate of 5 per cent. Growth peaks in years two and three, as the business recovers from the reduced sales levels of 2020.

The cash flow projections have been discounted to present value using a pre-tax discount rate of 7.2 per cent (2019: 2.7 per cent), which has been used for the purpose of the impairment test. The discount rate was derived from the benchmark rate of return, being the risk free rate plus 10 per cent. The value in use was found to be higher than the carrying value, hence no impairment is necessary. Any reasonable movement in the assumptions used in the impairment tests would not result in any impairment. The cash flow projections have been prepared by local management on the basis of the expected growth of the business over the next five years and approved by the Board.

13. PROPERTY, PLANT AND EQUIPMENT

	Right of Use Assets £000	Freehold land and buildings £000	Leasehold improvements, fixtures and fittings £000	Plant, tools, test and computer equipment £000	Total £000
Cost					
At 1 January 2019	1,101	116	160	574	1,951
Additions	26	–	1	60	87
Disposals	–	–	(8)	(40)	(48)
Exchange adjustment	–	–	–	(1)	(1)
At 1 January 2020	1,127	116	153	593	1,989
Additions	153	–	13	94	260
Disposals	–	–	–	(4)	(4)
Exchange adjustment	–	–	–	(1)	(1)
At 31 December 2020	**1,280**	**116**	**166**	**682**	**2,244**
Accumulated depreciation					
At 1 January 2019	–	40	125	453	618
Charge for the year	133	6	16	83	238
Disposals	–	–	(8)	(39)	(47)
Exchange adjustment	–	–	–	(2)	(2)
At 1 January 2020	133	46	133	495	807
Charge for the year	149	15	10	60	234
Disposals	–	–	–	(4)	(4)
Exchange adjustment	–	–	–	(1)	(1)
At 31 December 2020	**282**	**61**	**143**	**550**	**1,036**
Net book value					
At 31 December 2020	**998**	**55**	**23**	**132**	**1,208**
At 31 December 2019	994	70	20	98	1,182
At 1 January 2019	1,101	76	35	121	1,333

Included in the net carrying amount of right of use assets are:

	2020 £000	2019 £000
Buildings	**985**	976
Motor Vehicles	**13**	18
Total right of use assets	**998**	994

14. INVENTORIES

	2020 £000	2019 £000
Raw materials and consumables	**117**	98
Work in progress	**31**	42
	148	140

During the year the Group consumed £0.6 million (2019: £1.4 million) of inventories, of which £0.6 million (2019: £1.4 million) related to continuing operations.

15. TRADE AND OTHER RECEIVABLES

	2020 £000	2019 £000
Trade receivables	**1,847**	2,175
Less: allowance for credit losses	**(82)**	(187)
Trade receivables – net	**1,765**	1,988
Other receivables	**51**	17
Prepayments and accrued income	**1,309**	1,463
	3,125	3,468

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated to each other.

Trade receivables that are less than three months past due are not considered impaired unless there are specific financial or commercial reasons that lead management to conclude that the customer will default. At 31 December 2020 trade receivables of £1.0 million (2019: £1.0 million) were past due but not impaired. The credit quality of the Group's customers is good, being a combination of large broadcast stations (public and private) and government agencies and departments. Controls within Group companies are in place to ensure that appropriate credit limits are in place. The overdue amounts relate to customers with no history of default. The ageing of these receivables is as follows:

	2020 £000	2019 £000
Up to three months	**888**	916
Three to six months	**95**	21
Over six months	**57**	91
	1,040	1,028

At 31 December 2020 trade receivables of £0.1 million (2019: £0.2 million) were impaired and provided for in whole or in part. The provision of £0.1 million (2019: £0.2 million) is set against specific customer debts. The ageing of these receivables is as follows:

	2020 £000	2019 £000
Up to three months	**39**	77
Three to six months	**8**	–
Over six months	**35**	110
	82	187

The gross amounts of the Group's trade receivables are denominated in the following currencies:

	2020 £000	2019 £000
Pounds Sterling	**1,023**	1,329
US dollars	**335**	518
Euros	**489**	328
	1,847	2,175

Movements on the Group provision for impairment of trade receivables are as follows:

	2020 £000	2019 £000
At 1 January	**187**	480
Provision for receivable impairment	**(23)**	(131)
Receivables written off during the year as uncollectable	**(82)**	(162)
Exchange adjustment	**–**	–
At 31 December	**82**	187

Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

16. CASH AND CASH EQUIVALENTS AND OVERDRAFTS

	2020 £000	2019 £000
Cash and bank balances	**826**	1,144
Cash and cash equivalents and overdrafts at 31 December	**826**	1,144

The credit quality of the cash and cash equivalents and overdrafts that are not impaired can be assessed by reference to the external credit ratings of the banks where the deposits are held.

	2020 £000	2019 £000
A-1	**826**	1,144
Total	**826**	1,144

Reconciliation of decrease in cash and cash equivalents and overdrafts to movement in net cash:

	2020			2019		
	Net cash and cash equivalents and overdrafts £000	**Other borrowings £000**	**Total net cash £000**	Net cash and cash equivalents and overdrafts £000	Other borrowings £000	Total net cash £000
At 1 January	**1,144**	**(9,550)**	**(8,406)**	1,269	(10,650)	(9,381)
Cash flow for the year before financing	**657**	**–**	**657**	948	–	948
Movement in borrowings in the year	**(1,000)**	**1,000**	**–**	(1,100)	1,100	–
Exchange rate adjustments	**25**	**–**	**25**	27	–	27
Cash and cash equivalents and overdrafts at 31 December	**826**	**(8,550)**	**(7,724)**	1,144	(9,550)	(8,406)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

17. DISCONTINUED OPERATIONS

Discontinued operations relate to the former Vislink businesses disposed of in 2017. In 2019 the lease of the former Vislink premises expired and final settlement was received in accordance with the agreement made in 2018 with xG Technology Inc.

(I) ANALYSIS OF THE RESULT OF DISCONTINUED OPERATIONS IS AS FOLLOWS:

	2020 £000	2019 £000
Expenses	**–**	39
Profit before tax of discontinued operations	**–**	39
Tax	**–**	–
Profit after tax of discontinued operations	**–**	39

(II) CASH FLOW

	2020 £000	2019 £000
Operating cash flows	**–**	(456)
Total cash flows	**–**	(456)

18. TRADE AND OTHER PAYABLES

	2020 £000	2019 £000
Contract liabilities	**2,221**	2,320
Trade payables	**522**	424
Accruals	**1,108**	1,627
Other taxes and social security costs	**208**	95
	4,059	4,466

19. FINANCIAL LIABILITIES – BORROWINGS

	2020 £000	2019 £000
Current:		
Bank loans (secured)	**1,800**	1,520
Non-current:		
Bank loans (secured)	**6,750**	8,030

BANK BORROWING FACILITIES

Borrowing at 31 December 2020 comprised the fully drawn down Revolving Credit Facility of £8.5 million (2019: £9.5 million). On 10 March 2021 the bank agreed an extension of the current loan agreement. The revision secures the facility until 30 November 2022 with revised banking covenants and a reduced repayment schedule reflecting the current trading environment. The amount to be repaid in 2021 is £1.0 million.

All bank facilities are secured by fixed and floating charges over the Group's assets and by cross-guarantees between the Company and certain subsidiaries.

The Group does not have a net overdraft facility.

The Group does not use interest rate swaps to manage its exposure to interest rate movements on its bank borrowings.

The effective interest rates at the balance sheet dates were as follows:

	2020	2019
Bank overdraft	**N/A**	N/A
Bank borrowings	**3.53%**	3.30%

The Group had net debt at 31 December 2020 of £7.7 million (2019: £8.4 million).

20. FINANCIAL INSTRUMENTS

Numerical financial instrument disclosures are set out below. Additional disclosures are set out in the accounting policies (note 2).

FINANCIAL INSTRUMENTS BY CATEGORY – CONTINUING OPERATIONS

	2020 Other financial assets at amortised cost £000	2019 Other Financial assets at amortised cost £000
Assets as per statement of financial position at 31 December		
Trade and other receivables excluding prepayments and contract assets	**1,816**	2,002
Cash and cash equivalents	**826**	1,144
Total	**2,642**	3,146

There are no financial assets that are pledged as collateral for liabilities or contingent liabilities.

	2020 Other financial liabilities at amortised cost £000	2019 Other financial liabilities at amortised cost £000
Liabilities as per statement of financial position at 31 December		
Trade and other payables excluding contract liabilities and social security liabilities	**1,775**	2,185
Borrowings	**8,550**	9,550
Total	**10,325**	11,735

FINANCIAL INSTRUMENTS BY CATEGORY – DISCONTINUED OPERATIONS

	2020 Other financial assets at amortised cost £000	2019 Other Financial assets at amortised cost £000
Assets as per statement of financial position at 31 December		
Trade and other receivables excluding prepayments and contract assets	**–**	3
Total	**–**	3

There are no financial assets that are pledged as collateral for liabilities or contingent liabilities.

	2020 Other financial liabilities at amortised cost £000	2019 Other financial liabilities at amortised cost £000
Liabilities as per statement of financial position at 31 December		
Trade and other payables excluding contract liabilities and social security liabilities	**–**	5
Total	**–**	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

21. LEASE LIABILITIES

Lease liabilities are presented in the statement of financial position as follows:

	2020 **£000**	2019 £000
Current	**145**	139
Non-current	**1,020**	1,046
Total	**1,165**	1,185

The Group has leases for two office buildings and a motor vehicle. With the exception of short term leases and leases of low value underlying assets, each lease is reflected on the balance sheet as a right of use asset and a lease liability. The Group identifies its right of use assets as a separate category within its property, plant and equipment (see note13).

Each lease generally imposes a restriction that the right of use asset may only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive cancellation fee. For the leases over office buildings the Group must keep those properties in a good state of repair. The Group must insure items of property, plant and equipment and incur maintenance fees on them in accordance with the lease contracts.

The leases for the office buildings end in 2029 (with a break clause in 2024) and 2030. The motor vehicle lease ends in 2022.

Future minimum lease payments at 31 December 2020 were as follows:

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	After 5 years £000	Total £000
Minimum lease payments due at 31 December 2020							
Lease payments	179	188	188	119	119	546	1,339
Finance charges	(34)	(32)	(27)	(22)	(19)	(40)	(174)
Net present values	**145**	**156**	**161**	**97**	**100**	**506**	**1,165**
Minimum lease payments due at 31 December 2019							
Lease payments	176	175	167	167	105	586	1,376
Finance charges	(37)	(33)	(28)	(23)	(19)	(51)	(191)
Net present values	**139**	**142**	**139**	**144**	**86**	**535**	**1,185**

22. DEFERRED TAXATION

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate appropriate to the country in which the deferred tax liability or asset has arisen. Deferred tax assets have been recognised in respect of all tax losses and other temporary differences to the extent that they are regarded as more likely than not to be recoverable against future profits.

No deferred tax is recognised on unremitted earnings of overseas subsidiaries. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

At Budget 2020, the government announced that the corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19 per cent. Hence deferred tax assets are calculated at 19 per cent.

	Accelerated tax depreciation £000	Intangible assets £000	Losses £000	Other £000	Total £000
Deferred tax liabilities					
At 1 January 2020	79	170	–	–	249
Charge/(credit) to profit or loss	12	91	(351)	–	(248)
Exchange adjustment	(1)	–	–	–	(1)
At 31 December 2020	**90**	**261**	**(351)**	**–**	**–**

	Accelerated tax depreciation £000	Intangible assets £000	Losses £000	Other £000	Total £000
Deferred tax assets					
At 1 January 2020	3	–	–	–	3
Charge to profit or loss	(3)	–	–	–	(3)
Exchange adjustment	–	–	–	–	–
At 31 December 2020	**–**	**–**	**–**	**–**	**–**

	Accelerated tax depreciation £000	Intangible assets £000	Losses £000	Other £000	Total £000
Deferred tax liabilities					
At 1 January 2019	59	321	–	–	380
Charge/(credit) to profit or loss	19	(151)	–	–	(132)
Exchange adjustment	1	–	–	–	1
At 31 December 2019	79	170	–	–	249

	Accelerated tax depreciation £000	Intangible assets £000	Losses £000	Other £000	Total £000
Deferred tax assets					
At 1 January 2019	3	–	–	–	3
Charge to profit or loss	–	–	–	–	–
Exchange adjustment	–	–	–	–	–
At 31 December 2019	3	–	–	–	3

The movement on net deferred tax liability in the year was:

	2020 £000	2019 £000
Net deferred tax liability at 1 January	**(246)**	(377)
Credited in the year	**245**	132
Exchange Adjustment	**1**	(1)
Net deferred tax liability at 31 December	**–**	(246)

Certain deferred tax assets have not been recognised where it is not considered probable that they will be recovered.

	2020 £000	2019 £000
Deferred tax asset on losses	**3,414**	3,346
	3,414	3,346

23. ORDINARY SHARES

	Number '000s	2020 £000	Number '000s	2019 £000
Ordinary shares of 2.5 pence each at 31 December				
Authorised	**200,000**	**5,000**	200,000	5,000
Allotted and fully paid				
At 1 January	**124,603**	**3,115**	124,603	3,115
At 31 December	**124,603**	**3,115**	124,603	3,115

POTENTIAL ISSUE OF SHARES

The Group has the following share-based payment schemes:

A) EXECUTIVE SHARE OPTION SCHEMES

Executive share options are granted at a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is ten years. Awards are at the discretion of the Remuneration Committee. Options will become exercisable on the third anniversary of the date of grant. Exercise of an option is subject to continued employment.

During 2020, nil executive options were granted (2019: 6,000,000 at an exercise price of 6.18 pence).

Certain senior executives hold options to subscribe for shares in the Company at 6.18 pence under the share option schemes approved by shareholders.

The number of shares subject to options and the exercise prices are:

Date of grant	Exercise price	Exercise period	2020 Number '000s	2019 Number '000s
21 June 2019	6.18p	21/06/24 – 20/06/29	**6,000**	6,000
			6,000	6,000

A reconciliation of executive option movements over the year is shown below:

	Number '000s	2020 Weighted average exercise price	Number '000s	2019 Weighted average exercise price
Outstanding at beginning of year	**6,000**	**6.18p**	–	–
Issued during the year	**–**	**–**	6,000	6.18p
Outstanding at the end of the year	**6,000**	**6.18p**	6,000	6.18p
Exercisable at the end of the year	**–**	**–**	–	–

No options were exercised in 2020 (2019: Nil). The options outstanding at 31 December 2020 had a weighted average exercise price of 6.18 pence (2019: 6.18 pence) and a weighted average remaining contractual life of 8.5 years (2019: 9.5 years).

The fair value of the options granted was determined using the Black-Scholes model. The inputs used in the measurement of the fair values at grant date were as follows.

	2020	2019
Fair value at grant date	–	2.15p
Share price at grant date	–	6.18p
Exercise price	–	6.18p
Expected volatility	–	1.61%
Expected life	–	5.00 years
Expected dividends	–	Nil
Risk-free interest rate	–	0.62%

In order for the options to vest performance criteria based on achieving EBITDA and share price levels must be met. It was assumed that all the performance criteria would be met and that all the options granted would vest. Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The risk-free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The Group recognised a total charge of £12,000 (2019: £27,000) related to equity-settled share-based payment transactions in the income statement in the year.

B) LONG TERM INCENTIVE PLAN (LTIP)

Options have been granted as nil cost options under this scheme. The options granted under this scheme are generally exercisable at the end of the performance period and for seven years thereafter. Awards under this scheme are reserved for employees at senior management level and above. If an employee leaves the employment of the Group, a proportion of his award may be deemed to have vested, subject to satisfying any performance conditions and at the discretion of the Remuneration Committee.

Awards under the LTIP scheme are subject to performance criteria, the scales relating to which will be determined annually by the Remuneration Committee. Details of the performance criteria are disclosed in the Remuneration Report.

No new LTIP options were granted during the year (2019: Nil).

The number of shares subject to LTIP options and the exercise prices are:

Date of grant	Share price at award date	Vesting date	**2020 Number '000s**	2019 Number '000s
03 June 2014	45.1p	03 June 2017	**100**	100
			100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

23. ORDINARY SHARES CONTINUED

A reconciliation of LTIP option movements over the year is shown below:

	Number '000s	**2020 Weighted average share price at the date of grant**	Number '000s	2019 Weighted average share price at the date of grant
Outstanding at the beginning and end of the year	**100**	**45.1p**	100	45.1p

There were 100,000 LTIP options that were exercisable at the end of the year (2019: 100,000).

The weighted average contractual life remaining on the LTIP options outstanding at 31 December 2020 is 3.4 years (2019: 4.4 years).

At 31 December 2020 the trustee of the Employee Share Ownership Plan (ESOP) held 126,496 shares (2019: 126,496) with a market value of £13,000 (2019: £8,000). The net book value of these shares was £40,000 (2019: £40,000) and was deducted from equity.

24. RESERVES

The following describes the nature and purpose of each reserve within equity:

Share Premium	Amount subscribed for share capital in excess of nominal value.
Capital Redemption Reserve	Amounts transferred from share capital on redemption of issued shares.
Merger Reserve	The excess of value attributed to shares over the nominal value of those shares which were issued in part or full consideration for the acquisition of more than 90 per cent of the issued share capital of another company.
Translation Reserve	Gains or losses arising on retranslating the net assets of overseas operations into Sterling.
Accumulated Losses	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

25. CASH FLOW GENERATED FROM OPERATING ACTIVITIES

Reconciliation of loss before taxation to net cash flows from operating activities:

	2020 £000	2019 £000
Profit before tax – continuing operation	**1,095**	1,329
Profit before tax – discontinued operations	**–**	39
Profit before tax	**1,095**	1,368
Depreciation of property, plant and equipment	**234**	238
Loss on disposal of property, plant and equipment	**–**	1
Amortisation and impairment of development costs	**815**	847
Amortisation and impairment of acquired intangibles	**156**	889
Share based payment expense	**12**	27
Finance income	**(1)**	(2)
Finance costs	**374**	393
(Increase)/decrease in inventories	**(8)**	70
Decrease/(increase) in trade and other receivables	**343**	(1,077)
(Decrease)/Increase in trade and other payables	**(536)**	36
Decrease in provisions	**–**	(367)
Net cash generated from operating activities	**2,484**	2,423

26. PENSIONS

DEFINED CONTRIBUTION PLANS

The Group operates a stakeholder pension scheme in the UK with Scottish Widows Plc. The total Group pension charge for the year was £0.1 million (2019: £0.1 million). At 31 December 2020 there was no balance outstanding to the scheme (2019: £Nil).

The Group has no unfunded pension liabilities.

27. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Key management includes directors (executive and non-executive), members of the senior management team and the Company Secretary. The compensation paid or payable to key management for employee services is disclosed in note 7.

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, partnerships, associates, and joint ventures of the Group, along with the principal activity, the country of incorporation and the effective percentage of equity owned by Pebble Beach Systems Group plc, as of 31 December 2020, are provided in the entity financial statements of Pebble Beach Systems Group plc.

There are no material related parties other than Group companies.

28. POST BALANCE SHEET EVENTS

On 10 March 2021 an extension of the current loan agreement was signed with our bank. The revision secures the facility until 30 November 2022 with revised banking covenants and a reduced repayment schedule reflecting the current trading environment. The amount to be repaid in 2021 is £1.0 million.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25 per cent. As the proposal to increase the rate to 25 per cent had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be no change to the tax charge for the period nor to the deferred tax liability.

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020 £000**	2019 £000
Administrative expenses		**(556)**	(641)
Other expenses		**(5,246)**	2,373
Operating (loss)/profit		**(5,802)**	1,732
Operating (loss)/profit is analysed as:			
Adjusted operating loss		**(574)**	(648)
Non-recurring items	E	**(5,246)**	2,373
Exchange gains credited to the income statement		**18**	7
Finance costs	F	**(551)**	(479)
Finance income	F	**123**	149
(Loss)/profit before tax		**(6,230)**	1,402
Tax	G	**351**	(2)
(Loss)/profit for the year attributable to shareholders	P	**(5,879)**	1,400

The Company has no recognised gains and losses other than the losses for the years stated above and therefore no separate statement of comprehensive income has been presented.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	**2020 £000**	2019 £000
Assets			
Non-current assets			
Investments in subsidiaries	H	**24,491**	14,869
Deferred tax assets	M	**351**	–
Total non-current assets		**24,842**	14,869
Current assets			
Trade and other receivables	I	**25**	5,155
Current tax assets	L	**–**	–
Cash and cash equivalents	J	**139**	99
Total current assets		**164**	5,254
Liabilities			
Current liabilities			
Financial liabilities – borrowings	N	**1,800**	1,520
Trade and other payables	K	**12,318**	5,612
Total current liabilities		**14,118**	7,132
Net current liabilities		**13,954**	1,878
Non-current liabilities			
Financial liabilities – borrowings	N	**6,750**	8,030
Total non-current liabilities		**6,750**	8,030
Net assets		**4,138**	4,961
Equity attributable to shareholders			
Ordinary shares	O	**3,115**	3,115
Share premium	P	**6,800**	6,800
Capital redemption reserve	P	**617**	617
Merger reserve	P	**1,882**	1,882
Accumulated losses	P	**(8,276)**	(7,453)
Total equity		**4,138**	4,961

The company's registered number: 04082188

The Group will not be able to pay dividends without a court approved capital reduction.

The financial statements on pages 84 to 99 were approved by the Board of directors on 27 April 2021 and were signed on its behalf by:

John Varney
Non-Executive Chairman

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Ordinary shares £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Accumulated losses £000	Total equity £000
At 1 January 2019	3,115	6,800	617	1,882	(8,880)	3,534
Share based payments: value of employee services	–	–	–	–	27	27
Profit for the financial year	–	–	–	–	1,400	1,400
At 31 December 2019	3,115	6,800	617	1,882	(7,453)	4,961
At 1 January 2020	**3,115**	**6,800**	**617**	**1,882**	**(7,453)**	**4,961**
Share based payments: value of employee services	**–**	**–**	**–**	**–**	**12**	**12**
Unclaimed dividends	**–**	**–**	**–**	**–**	**44**	**44**
Transactions with owners	**–**	**–**	**–**	**–**	**56**	**56**
Income from shares in Group undertakings	**–**	**–**	**–**	**–**	**5,000**	**5,000**
Loss for the financial year	**–**	**–**	**–**	**–**	**(5,879)**	**(5,879)**
At 31 December 2020	**3,115**	**6,800**	**617**	**1,882**	**(8,276)**	**4,138**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**2020 £000**	2019 £000
Cash flow from operating activities			
Cash used in operations	Q	**(453)**	(831)
Interest paid		**(551)**	(479)
Taxation paid		**–**	(2)
Net cash used in operating activities		**(1,004)**	(1,312)
Cash flow from investing activities			
Interest received		**123**	149
New intercompany loans		**1,921**	2,091
Net cash generated from investing activities		**2,044**	2,240
Cash flow from financing activities			
Net cash used in repayment of financing activities		**(1,000)**	(1,100)
Net cash used in financing activities		**(1,000)**	(1,100)
Net increase/(decrease) in cash and cash equivalents		**40**	(172)
Cash and cash equivalents at 1 January		**99**	271
Cash and cash equivalents at 31 December	J	**139**	99

NOTES TO THE COMPANY FINANCIAL STATEMENTS

A GENERAL INFORMATION

The Company is incorporated and domiciled in the UK. The address of its registered office is Unit 12, Horizon Business Village, 1 Brooklands Road, Weybridge, Surrey KT13 0TJ. The registered number of the Company is 04082188.

B ACCOUNTING POLICIES

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

The separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a going concern basis under the historical cost basis of accounting, except where fair value measurement is required under IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the Company financial statements, are disclosed in note 4 of the Group financial statements.

GOING CONCERN

The directors are required to assess the Company's and the Group's ability to continue to trade as a going concern.

At 31 December 2020, the Group's net debt was £7.7 million (2019: £8.4 million), comprising net cash of £0.8 million (2019: £1.1 million) and the drawn down RCF from Santander of £8.5 million (2019: £9.5 million).

We enjoy a close relationship with our bank and have kept up a regular dialogue over the last 12 months during the COVID-19 pandemic. During 2020, we agreed a capital repayment holiday in June 2020 under the Government's initiative and we also agreed a partial repayment in December 2020. These actions were taken to mitigate potential cashflow risks caused by the uncertainties relating to the pandemic. During 2020 we repaid £1.0 million of the RCF and did not take on any new debt available under the Government loan support schemes. On 10 March 2021, we signed a 12-month extension to the current £8.5 million loan agreement. The agreement secures the facility until 30 November 2022 with revised quarterly repayments and EBITDA covenant test levels reduced to reflect the current trading environment. This agreement was based on the budget for 2021 and forecasts for the following two years.

In order to assess the appropriateness of preparing these financial statements on a going concern basis, management prepared detailed projections of the consolidated income statements, balance sheets and cash flow statements through to 30 June 2022. The starting point was the budget for 2021 approved by the Board and the forecast prepared for the above bank facility review, through to June 2022. A stress test scenario was then created to look only at existing orders and the current order pipeline. The evaluation was divided between new project orders and service support contracts. For new project orders in 2021, individual existing opportunities currently weighted at 50% and higher in the opportunity pipeline were evaluated in detail and included where it was felt that there was a high likelihood of success. For 2022 project revenue, the historically high gross pipeline value was taken, and weighted based on the historic conversion rates achieved in 2020. The support contract revenue was assessed based on existing renewed contracts, where revenue is recognized over the time period of the contract and historic renewal rates for support contracts expiring during 2021. A feature of the COVID-19 pandemic has been delayed decision making by our customers. Sensitivity analysis was therefore performed on the impact of further delays to decision making on the largest five opportunities with a high likelihood of success, in our existing pipeline. The outcome of this was that there would not be any potential going concern issues for the Group.

The Group did not make any redundancies nor place any staff on furlough as the management team navigated a path through the impact of the pandemic. The business made an effective switch to remote working and this will continue beyond the time when restrictions are lifted as many employees have embraced the work life balance choices that they now enjoy. The remote working practices have been extended and refined during the last year and productivity has been high, as any previously experienced delays whilst waiting for clients on site, can be mitigated as our engineers can switch to another project until the client is ready.

The Board has concluded, from its thorough assessment of the detailed forecasts, that the Group will have sufficient resources to meet its liabilities during the review period through to 30 June 2022 and that it is appropriate that the Group and the Company prepare accounts on a going concern basis.

INVESTMENTS

All investments are initially recorded at cost, being the fair value of consideration given including the acquisition costs associated with the investment. Subsequently, they are reviewed for impairment on an individual basis if events or changes in circumstances indicate the carrying value may not be fully recoverable.

The Company conducted an impairment review during the year.

In addition, there is a judgement for the Company over whether the carrying value of the investments held are fully recoverable.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually.

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value in use. To determine the value in use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

B ACCOUNTING POLICIES CONTINUED

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated in order to write off the cost of property, plant and equipment over their estimated useful lives by equal annual instalments using the following rates:

Plant and computer equipment: 10 per cent – 33 per cent.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible timing differences, carry-forward of unused tax assets and tax losses, to the extent that they are regarded as recoverable. They are regarded as recoverable where, on the basis of available evidence, there will be suitable taxable profits against which the future reversal of the underlying timing differences can be deducted. The carrying value of the amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part, of the tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted at the balance sheet date. Deferred tax is measured on an undiscounted basis.

FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date and non-monetary transactions at the exchange rates ruling at the dates of the transactions. All differences on exchange are taken to the income statement.

SHARE-BASED PAYMENTS

The fair value of employee share plans is calculated using an option-pricing model. In accordance with IFRS 2 "Share-based Payment", the resulting cost is charged to the income statement over the vesting period of the plans. The value of the charge is adjusted to reflect the expected and actual levels of options vesting.

DIVIDENDS

Under IAS 10, dividends are not to be recognised as a liability until the dividend is approved by the Company's shareholders.

PENSIONS

Company employees are members of money purchase schemes where the obligations of the Company are charged to the income statement as they are incurred.

NON-RECURRING ITEMS

These are material items excluded from management's assessment of profit because by their nature they could distort the Company's underlying quality of earnings. These are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Please refer to note 4 of the Group financial statements.

C SERVICES PROVIDED BY THE COMPANY'S AUDITOR

During the year, the Company obtained the following services from the Company's auditor at the costs detailed below:

	2020 £000	2019 £000
Analysis of fees payable to Grant Thornton UK LLP		
Fees payable to the Company's auditor for the audit of the Company's financial statements	**16**	14
	16	14
Taxation compliance services	**12**	16
Taxation advisory services	**9**	3
Other non-assurance services	**–**	12
	37	45

A description of the work of the Audit Committee is set out in the Corporate Governance Statement on pages 20 to 26 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

D DIRECTORS AND EMPLOYEES

Staff costs (gross of recharges to subsidiary undertakings) during the year were as follows:

	2020 £000	2019 £000
Wages and salaries	**213**	166
Social security costs	**23**	19
Other pension costs – defined contribution plans (note 26)	**5**	1
Share-based payments (note O)	**12**	27
	253	213

The monthly average number of employees employed by the Company during the year was as follows:

	2020 Number	2019 Number
Average monthly number of employees		
General and administrative	**4**	4
	4	4

The average number of employees has been calculated on a pro rata basis. The average number of employees includes directors with service contracts. The total number of employees at 31 December 2020 was 5 (2019: 4).

Key management compensation for the continuing business:

	2020 £000	2019 £000
Short-term employee benefits – including salaries, social security costs and non-monetary benefits	**41**	–
Post-employment benefits – defined contribution pension plans	**2**	–
	43	–

The analysis of key management compensation above includes Executive Directors. Key management is defined as the senior management team. The emoluments of Peter Mayhead were paid and borne by Pebble Beach Systems Ltd. Details of directors' emoluments are included in the remuneration report on pages 27 to 31.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

E OPERATING PROFIT

The following items have been included in arriving at the operating profit for the continuing business:

	2020 £000	2019 £000
Exchange gains credited to the income statement	**(18)**	(7)

	2020 £000	2019 £000
Other expenses		
Other expenses comprise:		
– Non-recurring items	**5,246**	(2,373)

NON-RECURRING ITEMS

The following items are excluded from management's assessment of profit because by their nature they could distort the Company's underlying quality of earnings. They are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis:

	2020 £000	2019 £000
Redundancy and restructuring costs	**–**	(15)
Write back impairment of investment	**–**	(1,989)
Impairment of investment	**5,246**	–
Waiver of intercompany loan	**–**	(829)
Write-off of intercompany loans not recoverable	**–**	460
	5,246	(2,373)

F FINANCE INCOME – NET

	2020 £000	2019 £000
Finance costs – third party	**334**	351
Finance costs – intercompany	**217**	128
Finance income – third party	**–**	–
Finance income – intercompany	**(123)**	(149)
Finance expense – net	**428**	330

Finance costs represent interest payable on bank borrowing and interest charged on intercompany loans.

Finance income is derived from cash held on deposit and interest received on intercompany loans.

G INCOME TAX CHARGE

A) ANALYSIS OF THE TAX CHARGE IN THE YEAR

	2020 £000	2019 £000
Current tax		
Foreign tax – current year	**–**	2
Total current tax	**–**	2
Deferred tax		
UK corporation tax	**(351)**	–
Total deferred tax	**(351)**	–
Total taxation	**(351)**	2

B) FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The charge for the year can be reconciled to the loss in the income statement as follows:

	2020 £000	2019 £000
(Loss)/profit before tax on continuing operations	**(6,230)**	1,402
Tax at the UK corporation tax rate of 19.00% (2019: 19.00%)	**(1,184)**	266
Permanent differences	**999**	(446)
Current year losses not recognised	**(166)**	180
Foreign tax	**–**	2
Effect of changes in UK tax rate	**–**	–
Total taxation	**(351)**	2

H INVESTMENTS IN SUBSIDIARIES

	Investments in subsidiaries' unlisted shares £000
Cost	
At 1 January 2020	26,507
Additions	14,868
At 31 December 2020	**41,375**
Provision for impairment	
At 1 January 2020	11,638
Additions	5,246
At 31 December 2020	**16,884**
Net book value	
At 31 December 2020	**24,491**
At 31 December 2019	14,869

During the year, ownership of Pebble Beach Systems Ltd was transferred from Legacy Broadcast Group Holdings Ltd to Pebble Beach Systems Group Plc. As at 31 December 2020, the carrying value of the company's investments were tested for impairment resulting in a charge of £5.2 million (2019: credit of £2.0 million) in respect of its investment in Legacy Broadcast Group Holdings Limited. The valuation was based on the enterprise value of the business. For the purposes of the impairment review the CGUs were determined as each trading entity within the Group.

The net book value represents an estimate of the recoverable amount of the underlying net assets of the investment in the Group's subsidiary undertakings.

I TRADE AND OTHER RECEIVABLES

	2020 £000	2019 £000
Amounts owed by Group undertakings	**–**	5,123
Prepayments and accrued income	**25**	32
	25	5,155

Amounts owed by Group undertakings includes loans of £Nil (2019: £5.2 million) that bear interest at 2.75 per cent which are repayable on demand.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

J CASH AND CASH EQUIVALENTS

	2020 **£000**	2019 £000
Cash and bank balances	**139**	99
Cash and cash equivalents at 31 December	**139**	99

Cash and cash equivalents include the following for the purpose of cash flows:

The credit quality of the cash and cash equivalents that are not impaired can be assessed by reference to the external credit ratings of the banks where the deposits are held.

	2020 **£000**	2019 £000
Credit rating (S&P)		
A-1	**139**	99
Total	**139**	99

Reconciliation of increase in cash and cash equivalents to movement in net cash:

	2020			2019		
	Net cash and cash equivalents £000	**Other borrowings £000**	**Total net cash £000**	Net cash and cash equivalents £000	Other borrowings £000	Total net cash £000
At 1 January	**99**	**(9,550)**	**(9,451)**	271	(10,650)	(10,379)
Cash flow for the year	**1,040**	**–**	**1,040**	928	–	928
Movement in borrowings in the year	**(1,000)**	**1,000**	**–**	(1,100)	1,100	–
Cash and cash equivalents at 31 December	**139**	**(8,550)**	**(8,411)**	99	(9,550)	(9,451)

K TRADE AND OTHER PAYABLES

	2020 **£000**	2019 £000
Trade creditors	**68**	18
Amounts owed to Group undertakings	**11,869**	5,202
Accruals and deferred income	**381**	392
	12,318	5,612

L CURRENT TAX LIABILITIES

	2020 **£000**	2019 £000
UK corporation tax	**–**	–
	–	–

M DEFERRED TAXATION

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate appropriate to the country in which the deferred tax liability or asset has arisen. Deferred tax assets have been recognised in respect of all tax losses and other temporary differences to the extent that they are regarded as more likely than not to be recoverable against future profits.

At Budget 2020, the government announced that the corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19 per cent. Hence deferred tax assets are calculated at 19 per cent.

	Accelerated tax depreciation £000	Losses £000	Other £000	Total £000
Deferred tax assets				
At 1 January 2020	–	–	–	–
Credit to profit or loss	–	351	–	351
At 31 December 2020	**–**	**351**	**–**	**351**

Certain deferred tax assets have not been recognised where it is not considered probable that they will be recovered.

	2020 £000	2019 £000
Deferred tax asset on losses	**1,204**	1,306
	1,204	1,306

N BANK LOANS

	2020 £000	2019 £000
Current:		
Bank loans and overdrafts (secured)	**1,800**	1,520
Non-current:		
Bank loans (secured)	**6,750**	8,030

Further information about these facilities is given in note 19 of the Group financial statements.

FINANCIAL INSTRUMENTS

Numerical financial instrument disclosures are set out below. Additional disclosures are set out in the accounting policies (note 2).

FINANCIAL INSTRUMENTS BY CATEGORY

	2020 Other financial assets at amortised cost £000	2019 Other financial assets at amortised cost £000
Assets as per statement of financial position at 31 December		
Trade and other receivables excluding prepayments and contract assets	**–**	5,123
Cash and cash equivalents	**139**	99
Total	**139**	5,222

There are no financial assets that are pledged as collateral for liabilities or contingent liabilities.

	2020 Other financial liabilities at amortised cost £000	2019 Other financial liabilities at amortised cost £000
Liabilities as per statement of financial position at 31 December		
Trade and other payables excluding contract liabilities and social security liabilities	**12,318**	5,612
Borrowings	**8,550**	9,550
Total	**20,868**	15,162

NOTES TO THE COMPANY FINANCIAL STATEMENTS

O CALLED UP SHARE CAPITAL

	Number '000s	**2020 £000**	Number '000s	2019 £000
Ordinary shares of 2.5 pence each at 31 December				
Authorised	**200,000**	**5,000**	200,000	5,000
Allotted and fully paid				
At 1 January	**124,603**	**3,115**	124,603	3,115
At 31 December	**124,603**	**3,115**	124,603	3,115

POTENTIAL ISSUE OF SHARES

The Group has the following share-based payment schemes:

A) EXECUTIVE SHARE OPTION SCHEMES

Executive share options are granted at a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is ten years. Awards are at the discretion of the Remuneration Committee. Options will become exercisable on the third anniversary of the date of grant. Exercise of an option is subject to continued employment.

During 2020, nil executive options were granted (2019: 6,000,000 at an exercise price of 6.18 pence).

Certain senior executives hold options to subscribe for shares in the Company at 6.18 pence under the share option schemes approved by shareholders.

The number of shares subject to options and the exercise prices are:

Date of grant	Exercise price	Exercise period	**2020 Number '000s**	2019 Number '000s
21 June 2019	6.18p	21/06/24 – 20/06/29	**6,000**	6,000
			6,000	6,000

A reconciliation of executive option movements over the year is shown below:

	Number '000s	**2020 Weighted average exercise price**	Number '000s	2019 Weighted average exercise price
Outstanding at beginning of year	**6,000**	**6.18p**	–	–
Issued during the year	**–**	**–**	6,000	6.18p
Outstanding at the end of the year	**6,000**	**6.18p**	6,000	6.18p
Exercisable at the end of the year	**–**	**–**	–	–

No options were exercised in 2020 (2019: Nil). The options outstanding at 31 December 2020 had a weighted average exercise price of 6.18 pence (2019: 6.18 pence) and a weighted average remaining contractual life of 8.5 years (2019: 9.5 years).

The fair value of the options granted was determined using the Black-Scholes model. The inputs used in the measurement of the fair values at grant date were as follows.

	2020	2019
Fair value at grant date	–	2.15p
Share price at grant date	–	6.18p
Exercise price	–	6.18p
Expected volatility	–	1.61%
Expected life	–	5.00 years
Expected dividends	–	Nil
Risk-free interest rate	–	0.62%

In order for the options to vest performance criteria based on achieving EBITDA and share price levels must be met. It was assumed that all the performance criteria would be met and that all the options granted would vest. Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The risk-free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The Group recognised a total charge of £12,000 (2019: £27,000) related to equity-settled share-based payment transactions in the income statement in the year.

B) LONG TERM INCENTIVE PLAN (LTIP)

Options have been granted as nil cost options under this scheme. The options granted under this scheme are generally exercisable at the end of the performance period and for seven years thereafter. Awards under this scheme are reserved for employees at senior management level and above. If an employee leaves the employment of the Group, a proportion of his award may be deemed to have vested, subject to satisfying any performance conditions and at the discretion of the Remuneration Committee.

Awards under the LTIP scheme are subject to performance criteria, the scales relating to which will be determined annually by the Remuneration Committee. Details of the performance criteria are disclosed in the Remuneration Report.

No new LTIP options were granted during the year (2019: Nil).

The number of shares subject to LTIP options and the exercise prices are:

Date of grant	Share price at award date	Vesting date	2020 Number '000s	2019 Number '000s
03 June 2014	45.1p	03 June 2017	100	100
			100	100

NOTES TO THE COMPANY FINANCIAL STATEMENTS

O CALLED UP SHARE CAPITAL CONTINUED

A reconciliation of LTIP option movements over the year is shown below:

	Number '000s	**2020 Weighted average share price at the date of grant**	Number '000s	2019 Weighted average share price at the date of grant
Outstanding at the beginning and end of the year	**100**	**45.1p**	100	45.1p

There were 100,000 LTIP options that were exercisable at the end of the year (2019: 100,000).

The weighted average contractual life remaining on the LTIP options outstanding at 31 December 2020 is 3.4 years (2019: 4.4 years).

At 31 December 2020 the trustee of the Employee Share Ownership Plan (ESOP) held 126,496 shares (2019: 126,496) with a market value of £13,000 (2019: £8,000). The net book value of these shares was £40,000 (2019: £40,000) and was deducted from equity.

P RESERVES

	Ordinary shares £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Accumulated losses £000
At 1 January 2020	3,115	6,800	617	1,882	(7,453)
Share based payments: value of employee services	–	–	–	–	12
Dividends payable	–	–	–	–	44
Income from shares in Group undertakings	–	–	–	–	5,000
Loss for the financial year	–	–	–	–	(5,879)
At 31 December 2020	**3,115**	**6,800**	**617**	**1,882**	**(8,276)**

Q CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of loss before taxation to net cash flows from operating activities.

	2020 £000	2019 £000
(Loss)/profit before tax	**(6,230)**	1,402
Reversal of impairment of investment	**–**	(1,989)
Impairment of investment	**5,246**	–
Impairment of intercompany loans	**–**	(369)
Share-based payment expense	**12**	27
Finance income	**(123)**	(149)
Finance costs	**551**	479
Decrease in trade and other receivables	**7**	19
Decrease/(increase) in trade and other payables	**84**	(251)
Net cash used in operating activities	**(453)**	(831)

R CONTINGENT LIABILITIES AND COMMITMENTS

The Company is party to a cross-guarantee to secure bank borrowings and facilities for credit cards, bonds and guarantees to certain members of the Group. At 31 December 2020, there was £8.5 million of bank borrowings outstanding (2019: £9.5 million).

The Company has no capital expenditure contracted for but not provided at 31 December 2020 (2019: £Nil).

S RELATED PARTY TRANSACTIONS

The subsidiaries of the Group which are unlisted unless otherwise indicated, are shown below.

The following subsidiaries are included in the Group's consolidated results.

	Proportion of ordinary shares held by the Group	Principal activity	Country of incorporation and operation	Registered office
Pebble Beach Systems Limited*	100%	Software service, video capture and playout provider for the broadcast industry	UK	Unit 12, Horizon Business Village, 1 Brooklands Road, Weybridge, Surrey KT13 0TJ, England
Pebble Beach Systems R&D Limited	100%	Research and development of new software	UK	Unit 12, Horizon Business Village, 1 Brooklands Road, Weybridge, Surrey KT13 0TJ, England
Pebble Broadcast Systems, Inc.	100%	Software service, video capture and playout provider for the broadcast industry**	USA	200 Continental Drive, Suite 401, Newark, Delaware 19713, USA
Legacy Broadcast Group Holdings Limited*	100%	Management holding company	UK	Unit 12, Horizon Business Village, 1 Brooklands Road, Weybridge, Surrey KT13 0TJ, England
Legacy Broadcast International Limited	100%	Non-trading company	UK	Unit 12, Horizon Business Village, 1 Brooklands Road, Weybridge, Surrey KT13 0TJ, England
Legacy Broadcast Communications Limited	100%	Dormant Company**	UK	Unit 12, Horizon Business Village, 1 Brooklands Road, Weybridge, Surrey KT13 0TJ, England
Legacy Broadcast Limited	100%	Dormant Company**	Ireland	2 Shelbourne Buildings, Crampton Ave, Shelbourne Road, Ballsbridge, Dublin 4, D04 W3V6, Ireland

* Owned directly by the Company
** Unaudited

ANALYSIS OF SHAREHOLDERS

As at 31 December 2020

Holding size range	Number of shareholders	Percentage of total shareholders	Number of shares '000s	Percentage of issued share capital
0–1,000	3,477	59.96	1,532	1.23
1,001–5,000	1,793	30.92	4,025	3.23
5,001–10,000	266	4.59	1,990	1.60
10,001–100,000	192	3.31	5,735	4.60
Over 100,000	71	1.22	111,321	89.34
	5,799	100.0	124,603	100.0

WARNING TO SHAREHOLDERS: BOILER ROOM SCAMS

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based "brokers" who target UK shareholders, offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as "boiler rooms". These "brokers" can be very persistent and extremely persuasive.

The directors have been made aware that approaches have been made to Pebble Beach Systems Group plc shareholders. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

More detailed information on this or similar activity can be found on the FCA website **http://www.fca.org.uk/** or by calling the FCA Consumer Helpline on **0800 111 6768**.

SHAREHOLDER INFORMATION

BOARD OF DIRECTORS

JOHN VARNEY
Independent Non-Executive Chairman

GRAHAM PITMAN
Senior Independent Non-Executive Director
Remuneration Committee Chairman

RICHARD LOGAN
Non-Executive Director
Audit Committee Chairman

PETER MAYHEAD
Group Chief Executive Officer

DAVID DEWHURST
Chief Financial Officer

REGISTERED OFFICE
12 Horizon Business Village
1 Brooklands Road
Weybridge
Surrey
KT13 0TJ

COMPANY REGISTRATION NUMBER
04082188

INDEPENDENT AUDITOR
GRANT THORNTON UK LLP
Seacourt Tower
Botley
Oxford
OX2 0JJ

BANKERS
SANTANDER CORPORATE BANKING
2 Triton Square
Regent's Place
London
NW1 3AN

LEGAL ADVISERS
PINSENT MASONS LLP
55 Colmore Row
Birmingham
B3 2FG

REGISTRARS
COMPUTERSHARE INVESTOR SERVICES PLC
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

NOMINATED ADVISER AND BROKER
FINNCAP LTD
1 Bartholomew Close
London
EC1A 7BL

SHAREHOLDER QUERIES

All queries regarding shareholdings, dividends, lost share certificates or changes of address should be communicated in writing to Pebble Beach Systems Group plc, c/o Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, stating the registered shareholder's name and address.

Telephone: 0370 703 6270.

Shareholders may also check their shareholding, dividend payments or update their personal details via the Investor Services section of the Registrars' website at www.computershare.com. This is a secure section of the Computershare website. To access your details you will require the unique Shareholder Reference Number, found on the corresponding share certificate.

SHAREHOLDER ECOMS

WEBSITE

For further up-to-date shareholder information, please visit www.pebbleplc.com.

NEWS ALERTS

To receive the latest news announcements and press releases by email please visit www.pebbleplc.com and follow the link to the news and events/email alerts page to register your details.

UNSOLICITED MAIL

The Company is required by law to make its share register available on request to the public and organisations which may use it as a mailing list, resulting in shareholders receiving unsolicited mail. Shareholders wishing to limit the receipt of such mail should write to the Mailing Preference Service, DMA House, 70 Margaret Street, London W1W 8SS or register online at www.mpsonline.org.uk.