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 2021

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BUSINESS OVERVIEW

PEBBLE BEACH SYSTEMS GROUP PLC

Pebble Beach Systems Group plc (Pebble) 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 and its subsidiary companies.

Pebble is a world leader in designing and delivering automation, integrated channel and virtualised playout software 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 its 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 AND FINANCIAL HIGHLIGHTS

- Strong performance as business successfully adapted to the Covid pandemic with revenue up 27% on 2020. Recurring revenue from support contracts up 15% to £4.6 million, being 43% of total revenue
- Order intake was up 75% on 2020 and when adjusting for Covid-related delays order intake was still up circa 17%.
- Increased investment in new digital platform to establish all-IP workflows
- Strategic move to a fully remote working organisation in July 2021 delivering operational benefits in terms of resilience, organisational growth and performance. Won the UK Company Culture Award for "Remote Team of the Year" in April 2022
- Reduced long-term bank debt by a further £1m with net debt at year end of £5.9 million (2020: £7.7 million)
- Bank facilities re-negotiated in April 2022 with term loan facility to 30 September 2024

NON–EXECUTIVE CHAIRMAN'S STATEMENT

INTRODUCTION

I am very pleased to be reporting on a year of significant achievement for the Group.

Throughout 2021 we saw our customers' confidence return and investment decisions that were put on hold during 2020 were clearly being re-initiated, resulting in order intake rising 75% to £13.7 million. A proportion of this growth can be attributed to the understandable delays to orders in 2020 that came through in 2021, however, underlying order growth delivered in the year was c.17%.

Observations of the market's priorities during 2021 have reaffirmed our strongly held view that our current mission to support broadcasters by providing technology solutions to facilitate their transition from traditional broadcast infrastructure to more flexible IP-based technologies is strategically correct. Consequently, we again increased the level of investment in our new digital platform, Oceans, which has all the benefits of a cloud native environment allowing our customers to establish all-IP workflows whilst retaining their ability to utilise investment made in our existing installed solutions.

We have demonstrated that our ability to operate successfully in the context of the Covid pandemic is fully sustainable and, when coupled with the strategic decision to adopt a remote working model, positions us as a strong, resilient organisation that is responsive to our customers' needs.

In April 2022, we were delighted to win the UK Company Culture Award for "Remote Team of the Year". This achievement is a testimony to the huge efforts every employee has made since our move to fully remote working in 2021. It is recognition of the success of our operating model changes and keeps the momentum behind the continued improvements we are making as we realise our vision to ensure equality of opportunity for all employees.

FINANCIAL RESULTS

Revenue was up 27% at £10.6 million (2020: £8.4 million) including recurring revenue from support contracts up 15% to £4.6 million (2020: £4.0 million). Recurring revenue represents 43% of total revenue and provides greater visibility of future years' forecasts.

Gross profit was £8.1 million at a margin of 77% (2020: £6.4 million at a margin of 77%).

Adjusted EBITDA was £3.3 million (2020: £2.7 million), representing 31% of revenue (2020: 32%).

Conversion of profit to cash remained strong in 2021, with 116% of Adjusted EBITDA converted to cash generated from operations (2020: 93%) allowing investment in new products and services at the same time as continuing to reduce our levels of debt.

We continue to view investment in the development of new products and services as key to future growth and continue to innovate by investing in new technologies. In the year, we capitalised £1.5 million of development costs (amortised £0.9 million), (2020: capitalised £1.3 million) (amortised £0.8 million). To evidence this, R&D expenditure as a proportion of revenue was 19% (2020: 20.8%).

Net finance costs remained level in 2021 reflecting the Group's pay-down of £1.0 million of its revolving credit facility ("RCF") and a marginally reduced interest rate of 3.58% (2020: 3.64%) offsetting the impact of interest costs in the United States.

The profit before tax for the year was £1.5 million (2020: £1.1 million). The adjusted earnings per share was 1.2p (2020: 1.1p)

Net debt (excluding IFRS 16 leases) at the year-end was reduced by £1.8 million to £5.9 million (2020: £7.7 million), comprising a much-improved cash position at year end of £1.6 million (2020: £0.8 million) and debt of £7.5 million (2020: £8.5 million).

NEW TERM LOAN APRIL 2022

We enjoy a good relationship and regular communication with our bank, Santander, who remain very supportive of our strategy to invest in developing our new technology solutions. Post period end, on 13 April 2022, we were delighted to sign a new term loan facility, refinancing the existing £7.15 million RCF agreement. The new term loan secures a £7.15 million facility until 30 September 2024, with revised financial covenants and a repayment schedule consistent with previous years.

MARKET POSITIONING

Pebble is a leading global software business specialising in playout automation and content management solutions for broadcast and streaming services markets.

The main sector within the media tech market that is served by Pebble's software is the playout automation market. Within this sector, the customers that we principally interact with are broadcasters, either directly or through service providers who deliver playout services to those broadcasters, many of whom are global organisations. These customers include companies such as Fox News, CNBC, IMG, Phoenix Television and Globosat Canais. In addition to playout automation, Pebble's other core software technology is the Integrated Channel solution.

These solutions have been designed to support broadcasters and service providers to deliver their scheduled content in a reliable and secure way. As downtime is not acceptable in the broadcast industry, playout software is exceptional at flagging any issues, creating backup channels (redundancy) and providing disaster recovery.

One of Pebble's key strengths is an ability to focus on collaboration with customers to determine their requirements and design solutions which address their needs elegantly and efficiently. During the lifecycle of the software solution, we deliver full support services in accordance with customer requirements.

Pebble's existing solutions consist of:

Automation: highly scalable enterprise level software solution for broadcasters or service providers with complex workflow requirements built around best-of-breed technology. The software allows flexible deployment either on premises, on virtual machines or in the cloud with exceptional levels of system resiliency.

Automation Lite: a simpler software offering optimised to allow control of up to six channels, offering best-of-breed functionality at an entry-level price.

Integrated Channel: under the control of our Automation software this solution provides a one-stop-shop for channel playout offering audio, video and graphics functionality. Hosted on powerful servers, the software provides all the functionality of a traditional broadcast chain.

Virtualised Playout: a software-only implementation of the Integrated Channel solution, with the ability to host channels in a private data centre or public cloud. Virtualised Playout can launch and decommission channels for short term requirements and host operational infrastructure in a standard data centre environment.

Playout in a box: a compact playout solution, combining a 'best of breed' approach with an affordable price point but without the need for high levels of flexibility. Controlling up to six channels the self-contained Playout in a box solution is suitable for new market entrants, for testing new channels, or as a backup or disaster recovery system for a smaller channel.

In addition to these core technology solutions, Pebble also provides applications with discrete functionality. The current range includes:

Pebble Remote: secure, real-time access to the playout environment from anywhere, anytime. It is easy to use with intuitive interfaces and aimed at anyone with a Pebble solution who is seeking to control, monitor and manage channels remotely.

Pebble Control: a recent release providing connection management of IP devices suitable for TV stations, OB trucks, production houses or anywhere that uses IP workflows. Control is providing Pebble with the opportunity to enter new markets outside of the automation space.

Orchestration: a soon to be released tool for the design and management of complex workflows. The first fully Oceans-native capability initially focussed on replacing and significantly enhancing the file management capability provided by the Pebble's current Automation software.

MARKET OPPORTUNITY AND PRODUCT DEVELOPMENT ROADMAP

We are very focused on recognising Pebble's core strengths and technical capability to ensure we continue to enhance our portfolio of software solutions to meet the evolving requirements of our customers. An industry report from June 2020, commented that the top "Media Tech Priorities" for the industry were: multi-platform content delivery, 4K/UHD production, IP infrastructure, remote production and cloud-based solutions. Our directors believe that Pebble's current range of solutions, together with the progress being made against its product roadmap, will ensure that our technology offering will continue to be meet these priorities:

MULTI-PLATFORM CONTENT DELIVERY

For Pebble, multi-platform content delivery is its ability to deliver complex workflows, Video On Demand, OTT and On-demand. During the year, we supported TV2 Denmark, who acquired rights for major sporting events including the Tour de France, Wimbledon and the Euros, with their OTT service "TV 2 Play". We continue to invest in the development of our Orchestration Engine, responding to this type of market demand.

4K/UHD PRODUCTION

4K and UHD TV global sales have consistently increased since 2014 according to recent industry statistics, and it is our belief that this area is becoming a priority within the broadcast sector. Pebble has UHD installations such as the installation at IMG Studios, a state-of-the-art broadcast production and worldwide distribution facility based near London. Currently, these growing signal complexities are addressed through expensive third-party hardware but in future, Pebble's product development roadmap is focused on an in-house developed cloud-based media processing engine, to remove the dependency on third-party hardware.

NON–EXECUTIVE CHAIRMAN'S STATEMENT

IP INFRASTRUCTURE

IP infrastructure has been an area of focus for Pebble for some time, and we continue to cement our position as the experts in IP. Our customers are typically either transitioning to IP infrastructure from the legacy, SDI, or are implementing IP infrastructure in a new broadcasting facility, and Pebble supports both. Pebble Control, is a software solution for device configuration and monitoring, designed with security at its core. In the future, Pebble's Ocean's platform will be hosting an automation engine that is IP-native, allowing full, public-cloud deployment.

REMOTE PRODUCTION

At the beginning of 2020, coronavirus lockdowns across the world pushed a surge in remote working across many industries globally, the broadcast industry included. Our web-based monitoring software, Pebble Remote, gives customers secure, real-time access from anywhere allowing Pebble to successfully deliver against customers' needs as they shifted to geographically dispersed operations.

CLOUD COMPUTE

Pebble is also seeking to better address the Cloud Compute priority. We believe the move to remote working has accelerated the move to the cloud. Over 50 percent of broadcasters have already deployed some form of cloud-based technology with 40 percent stating they are likely to continue adoption according to data from the IABM. At present, Pebble's technology can be utilised through the cloud for storage and hosting capabilities. To further enhance our offering, the Oceans platform is being designed to provide customers with software that is fundamentally cloud-centric.

Having regard to the key trends being seen in the industry, and the undoubted market opportunity before it, the Board remains focussed on delivering against its product development roadmap of:

(i) **Oceans Automation;** an automation only capability to replace the current playout automation offering with a secure cloud-native solution.

(ii) **Media Processing Engine;** to reduce the requirement for hardware to provide video playout capability. By developing a software solution, this will enable Pebble to provide a fully cloud native integrated channel capability.

(iii) **Pebble Control;** by accelerating the ongoing development of its IP control tool, the directors believe that this will provide the opportunity to target the product into any market requiring IP network-based device control.

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 page 17 and the Notes to the Financial Statements on page 46. 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 31 December 2023 and that it is appropriate that the Group and the Company prepare accounts on a going concern basis.

BOARD CHANGES

As previously announced on 4 May 2021, we were pleased to appoint Chris Errington to the Board as Non-Executive Director.

TRADING OUTLOOK

The current financial year has started in line with expectations. Pebble has demonstrated its resilience throughout the global pandemic and more recently in its response to the ongoing supply chain stresses and the Ukrainian conflict. We are confident in our strategy and encouraged by the increasing level of recurring revenue and the continued strengthening of the balance sheet.

Fundamentally, the business is in good shape and we remain focussed on ensuring we provide our customers with the technology and high level of service that they expect from Pebble. We will continue to invest in enhancing our solutions and we look forward to the future with optimism.

John Varney
Non-Executive Chairman
4 May 2022

STRATEGIC REPORT

Our overall strategy is to grow the business through the reinvestment of funds generated by improved operational effectiveness in the development of new software solutions designed for cloud native environments.

MISSION	OBJECTIVES	2022 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	• Double the revenue of the business in five years • Be the go-to organisation for technology transition to IP-based media facilities • Develop our solutions to not be restricted to any single source of third party technology • Acquire additional technologies • Address emerging SaaS opportunities • Expand our target market beyond playout	We will continue to grow by finding new customers through the creation of a business development function to support sales and focus on expansion into APAC • We will facilitate the industry adoption of IP and reinforce our leading technology position in the market by launching a 'Freemium' version of Pebble Control and adding control functionality to the application. • We will begin the next step towards the realisation of our vision to provide a SaaS platform by formulating a roadmap and commencing development • We will successfully transform to a Remote Only operating model that supports our company culture ensuring all open roles are filled with the best possible talent
Reduce Net Debt	• To maintain continued support from our bank • Continue to reduce net debt in 2022	• On 13 April 2022 a new term loan facility was agreed through to 30 September 2024. The strategy is to continue to generate strong operating cash flows to service the debt
Shareholder confidence	• Continue to increase shareholder value	• Continue to drive higher recurring revenues and keep a focus on cash flows

STRATEGIC REPORT

WHAT WE DO

Pebble, is a leading provider of software and solutions to broadcasters and streaming service providers worldwide.

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 STRENGTHS

- Remote operating model with a global, highly-skilled and flexible employee base
- Proven technology
- Specialist technical expertise
- Ability to overcome complex challenges
- Open, pragmatic approach
- Strong partnerships

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. The Group remains the principal in all contracts. Whilst both are often focused on market sectors, they share knowledge of customer requirements and market trends, and offer local support where needed.

FINANCIAL REVIEW

	2021 £m	2020 £m	Change %
Revenue	**10.6**	8.4	26.5%
Gross profit	**8.1**	6.4	26.5%
Gross margin %	**76.6%**	76.6%	0.0pts
Adjusted EBITDA	**3.3**	2.7	22.9%
Net liabilities	**(1.9)**	(3.5)	43.8%
Net debt	**5.9**	7.7	(25.1)%
Reported earnings per share	**1.2p**	1.0p	13.2%

KEY PERFORMANCE INDICATORS

KPI MEASURE	2021 £m	2020 £m	% Change	DEFINITION/CALCULATION
CUSTOMERS				
Order intake	**13.7**	7.8	75.2%	• Order intake is a measure of new business secured during the year and represents firm orders
Revenue	**10.6**	8.4	26.5%	• Revenue provides a measure of work delivered and is the key measure of growth
PROFITABLE GROWTH				
Adjusted EBITDA	**3.3**	2.7	22.9%	• Adjusted EBITDA is defined as operating profit before depreciation, amortisation and impairment of acquired intangibles, amortisation of capitalised development costs, share based payment expense, non-recurring items and exchange gains or losses charged to the income statement
Adjusted earnings per share (pence)	**1.2p**	1.1p	9.4%	• 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
Adjusted EBITDA margin	**30.9%**	31.8%	(0.9pts)	• Adjusted EBITDA in the financial year, divided by revenue for the financial year
Profit before tax	**1.5**	1.1	36.7%	• Profit for the year after all costs but before taxation on profit.
INNOVATION				
R&D expenditure as a proportion of revenue	**19.0%**	20.8%	(1.8pts)	• 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 charge for the year for continuing operations of £Nil (2020: credit of £0.2 million). The current tax charge in the year was £Nil (2020: £Nil). This is principally as a result of R&D tax credits in the UK. There was a deferred tax credit of £Nil (2020: £0.2 million).

STRATEGIC REPORT
FINANCIAL REVIEW CONTINUED

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 2021 is £3.2 million (2020: £3.2 million) which relates solely to Pebble Beach Systems Limited.

The carrying value of capitalised development costs at 31 December 2021 is £2.4 million (2020: £1.8 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 2021 is summarised as follows:

	2021 £m	2020 £m
Intangible assets	**5.6**	5.0
Property, plant and equipment	**0.4**	1.2
Net current liabilities excluding cash	**(3.1)**	(2.7)
Other non-current liabilities	**(6.4)**	(7.8)
Net liabilities excluding cash	**(3.5)**	(4.3)
Cash and cash equivalents	**1.6**	0.8
Net liabilities	**(1.9)**	(3.5)

CASH FLOWS

The Group held cash and cash equivalents of £1.6 million at 31 December 2021 (2020: £0.8 million). The table below summarises the cash flows for the year.

	2021 £m	2020 £m
Net cash generated from operating activities	**3.4**	2.1
Net cash used in investing activities	**(1.6)**	(1.4)
Net cash used in financing activities	**(1.0)**	(1.0)
Net increase/(decrease) in cash and cash equivalents	**0.8**	(0.3)
Cash and cash equivalents at 1 January	**0.8**	1.1
Cash and cash equivalents at 31 December	**1.6**	0.8

CASH FLOWS FROM OPERATING ACTIVITIES

The cash generated from operations of £3.8 million (see note 24), represented a 116 per cent conversion of the adjusted EBITDA. This compares with £2.5 million and a conversion rate of 93 per cent in 2020.

The cash outflow from investing activities amounted to £1.6 million (2020: £1.4 million) which comprised £1.5 million in respect of the capitalisation of development costs (2020: £1.3 million) and £0.1 million in respect of capital expenditure (2020: £0.1 million).

The cash outflow from financing activities amounted to £1.0 million (2020 £1.0 million) which is wholly comprised of the repayment of bank loans.

RETURNS TO SHAREHOLDERS

The directors do not recommend payment of a final dividend for the year ended 31 December 2021 (2020: 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 The ability to continue to trade and meet liabilities when they fall due whilst meeting the covenants required by the term loan facility.	The bank continues to show support with a new term loan facility signed 13 April 2022. This is a refinancing of the existing RCF and secures the funding until 30 September 2024, with financial covenants and a repayment schedule consistent with prior years. 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 strong 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 market.	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 meet the changing needs of our customers.	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. Our transition to a remote working model during 2021 is capturing benefits for our employees whilst still providing opportunities for them to meet in person.	Medium
CORONAVIRUS (COVID-19)	The business transitioned to remote working very successfully and has taken the strategic decision to become a remote working organisation. We initially experienced delays from our customers making investment decisions on new projects, but customers have adapted and orders have recovered. Our existing customers on support contracts provide us with a resilient stream of recurring revenue.	Medium
SUPPLY DISRUPTION A combination of the Coronavirus pandemic and the additional burden of Brexit have combined to create supply chain disruptions.	There has been a worldwide disruption in the semiconductor market that has caused significant additional lead times when ordering certain hardware items. Coupled with additional Brexit related documentation and customs duties, this has required project planning teams to build in more time contingency and costs when goods are moved across borders.	Medium

STRATEGIC REPORT
SECTION 172 STATEMENT

The following matters fall under the broad definition of Section 172:

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 21 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 motivated teams, directly contribute to our strategy, performance and reputation. To read more about our employees please see our Directors' Report on page 15.

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 Operations teams work with customers to understand their business needs and operational requirements regarding existing and new solutions, in order to shape a solution to meet their budget and ongoing support needs. The business has regular communications and interactions with customers comprising face to face and virtual meetings, trade shows and industry networking events. This was upheld throughout 2021 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.

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 estimates remain accurate.

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.

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.

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 2021 Peter Mayhead and David Dewhurst 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 Market. Meetings were held remotely during 2021, because of continued restrictions around the Covid pandemic.

These meetings allowed the 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 the CEO and CFO from the Market presentations and meetings, thus keeping them in touch with shareholder opinion.

The Board members 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 the Corporate Governance statement on page 24.

John Varney
Non-Executive Chairman
4 May 2022

THE BOARD

John Varney BA, FRSA
Non-Executive Chairman

APPOINTED TO THE BOARD:
October 2011

INDEPENDENT:
Yes

SKILLS AND EXPERIENCE:
John has over 45 years' experience in the broadcast industry, both as broadcaster and equipment & services supplier and has extensive, relevant knowledge of the sector.

He has led large scale business transformation projects with extensive change management requirements 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 16 years John has been an investor, adviser and Non–Executive Director or Chair for emerging technology companies – often leading funding and/or exit activities.

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

John retains a passion for the Broadcast and Content industries and is perpetually excited by the evolution of the creative sector and its continued – and growing – contribution to the UK and global economies.

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

Peter Mayhead FCCA, MBA
Group Chief Executive Officer

APPOINTED TO THE BOARD:
January 2018

INDEPENDENT:
No

SKILLS AND EXPERIENCE:
Peter joined in 2013 as Finance Director and was appointed Group CEO in January 2018. Peter has led the transformation of the company into a leading technology brand with a strong pipeline, strong sales margins, robust operational systems, and importantly in a position to attract quality technology and leadership talent.

With more than 20 years of experience, Peter combines his broadcast industry knowledge, financial and business leadership and executive management experience, with a passion for driving a company performance culture based on the foundation of employee and organisational alignment.

Having successfully steering Pebble through the Covid pandemic, during 2021 Peter transformed the business into a remote operating model with a global, highly capable and flexible employee base that encompasses our employees' well-being, and ability to function effectively in terms of resilience, organisational growth, and performance.

Previously, Peter served as CFO of Pro-Bel Ltd where his strong financial skills and management ability played a key role in the successful business turnaround and subsequent merger with Snell & Wilcox.

Peter holds an MBA from Henley Business School and is a fellow of the Association of Certified Chartered Accountants. Peter has a strong commitment to ensuring staff and executives have access to ongoing professional development, recognising it as a key contributor to business performance and success.

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

Graham Pitman DipM, MBA
Senior Independent Non-Executive Director

APPOINTED TO THE BOARD:
April 2018

INDEPENDENT:
Yes

SKILLS AND EXPERIENCE:
Graham, our Senior Independent Non-Executive Director, has had a highly successful career within the broadcast and media technology industry both as an entrepreneur and intrapreneur. His skills and experience, strategy development, business growth, restructuring and turnaround and M&A, gained within the broadcast and media sector are pertinent and valuable.

Graham's previous roles as CEO and Chairman have included both traditional and new technology segments and include positions with Yospace, Pro–Bel Group Limited, Telestream UK Limited, Snell Corporation Limited, ATG Danmon Limited, Marquis Broadcast Ltd and NTP Technology A/S these business together span a significant portion of the media value chain.

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 recognition of his contribution to the Broadcast Industry, Graham holds an IABM Honorary Membership.

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

BOARD COMMITTEE MEMBERSHIPS:
— Audit Committee – Member
— Remuneration Committee – Member
— Nomination Committee – Member

Richard Logan BA, ICAS
Non-Executive Director

APPOINTED TO THE BOARD:
May 2020

INDEPENDENT:
Yes

SKILLS AND EXPERIENCE:
Richard brings to the board significant corporate finance and accounting experience from a career within a variety of highly successful companies. Richard gained his extensive knowledge of acquisitions, finance functions and growing companies during a profession within a broad range of private and public companies.

With his background in finance and his experience within an AIM quoted environment, Richard brings a depth of knowledge of governance and technical experience of accounting to our Audit Committee, which Richard has chaired since June 2020.

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 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:
— Chairman of Inspired plc
— NED of Perpetual Topco Limited

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

Chris Errington, BA Hons
Non-Executive Director

APPOINTED TO THE BOARD:
May 2021

INDEPENDENT:
No

SKILLS AND EXPERIENCE:
Joined the Board in May 2021. Chris is a partner at Kestrel Partners LLP and is their Head of Research, with a primary focus on the Kestrel Opportunities Fund, which puts an emphasis on smaller quoted companies and pro-actively working with management to improve their value. Kestrel is Pebble's largest shareholder.

Previously, Chris was CEO of Gresham Technologies plc, a leading software and services company, joining in 2004 as CFO and becoming CEO in 2010. There, having transitioned the group to cash flow positive with a new product future, Chris initiated a succession plan to introduce a new CEO in 2015, himself moving to an NED role until exiting the company in 2017.

Chris qualified as a chartered accountant with Ernst & Young and holds a 1st Class Honours Degree in Biochemistry with Pharmacology from the University of Southampton.

OTHER RELEVANT EXTERNAL APPOINTMENTS:
— Partner of Kestrel Partners LLP
— Partner of Kingfisher Partners LLP

BOARD COMMITTEE MEMBERSHIPS:
— Remuneration Committee – Chairman
— Audit Committee – Member
— Nomination Committee – 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 2021, which were approved by the directors on 4 May 2022. 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 on pages 2, 3 and 4.

Disclosures relating to information which is strategically important to the Group are made within the Strategic Report on pages 5 to 11.

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2021 are set out in the consolidated income statement on page 41. The Group has reported an operating profit of £1.9 million (2020: £1.5 million). After accounting for net finance costs, the consolidated income statement shows a profit before taxation of £1.5 million (2020: £1.1 million). The net result for the year was a profit of £1.5 million (2020: £1.3 million).

The directors do not recommend payment of a final dividend for the year ended 31 December 2021 (2020: Nil pence per ordinary share).

NEW TERM LOAN APRIL 2022

At 31 December 2021, the Group's net debt (excluding debt related to leases) was £5.9 million (2020: £7.7 million), comprising net cash of £1.6 million (2020: £0.8 million) and the drawn down RCF from Santander of £7.5 million (2020: £8.5 million).

We maintain a good relationship and regular communication with our bank, who remain very supportive of our strategy to invest in developing our new technology solutions. On 13 April 2022, a new term loan facility was signed, refinancing the existing £7.15 million revolving credit facility agreement. The new term loan secures a £7.15 million facility until 30 September 2024, with revised financial covenants and a repayment schedule consistent with previous years, allowing for investment in new technology solutions.

RESEARCH AND DEVELOPMENT

The Group continues to invest in the research and development of its products with a focus being on the next generation IP-enabled media playout software. During the year ended 31 December 2021 the Group's expenditure on R&D was £1.5 million (2020: £1.3 million). The R&D expenditure as a proportion of our revenue is 19.0 per cent (2020: 20.8 per cent).

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 (Group Chief Executive Officer)
- David Dewhurst (Chief Financial Officer)
- Graham Pitman (Senior Independent Non-Executive Director)
- Richard Logan (Non-Executive Director)
- Chris Errington (Non-Executive Director) (from 4 May 2021)

Short biographies of each director are provided on pages 12 to 13.

Details of the directors' service contracts, letters of appointment, disclosure of interests in shares and options, are given in the Remuneration Report on pages 25 to 28. 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 22 to the consolidated financial statements.

The Group's share capital comprises one class of ordinary shares and as at 1 April 2022 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 as at 1 April 2022.

Shareholder	Percentage shareholding
Kestrel Partners LLP	29.76%
Interactive Investor	8.58%
Hawk Investment Holdings Limited	7.89%
Hargreaves Lansdown Nominees Limited	7.00%
Mr and Mrs M Bennett	3.29%

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 commitment 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.

We have lines of communication in place to ensure that employees are consulted with and kept informed of issues relevant to them. Staff 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 Group'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.

REMOTE WORKING

In the first quarter of 2020, the Covid pandemic lockdowns across the world triggered a surge in remote working across many industries globally, the broadcast industry included. During 2021 our business successfully transitioned to a remote working model, capturing the benefits that our employees enjoyed during the lockdowns in 2020.

This strategic move to a fully remote operating model is delivering operational benefits in terms of resilience, organisational growth, and performance. It gives us more scope to ensure we have a global, highly capable, and flexible employee base.

In October 2021, a dedicated management resource was hired to help execute this transition and ensure the business has the infrastructure and technology in place to be an effective and efficient remote working organisation.

The business is now able to attract the best talent from anywhere in the world. For our employees, the move to remote working provides more flexibility which promotes increased work/life balance and wellness, time and cost savings with no commute to the office, the ability to work from anywhere and has increased productivity.

In our remote working world, our employees enjoy regular face to face meetings with their colleagues, use of our communication platforms that allow workspace chat and videoconferencing, and in Q2 2022, a two-day All-Staff Conference being held in the UK will bring all employees together. This face to face event will have a theme of making connections and will focus on building and maintaining relationships between employees, partners, and customers in the remote environment.

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.

DIRECTORS' REPORT

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 2021 the Employee Share Ownership Plan (ESOP) held 126,496 shares (2020: 126,496) in the Company, representing 0.1 per cent of the issued share capital (2020: 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 and this now includes how our employees operate remotely. 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.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the financial statements in accordance with UK-adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and

- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

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 Monday 27 June 2022 at 12.00 noon.

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 2021, the Group's net debt was £5.9 million (2020: £7.7 million), comprising cash of £1.6 million (2020: £0.8 million) and the drawn down RCF from Santander of £7.5 million (2020: £8.5 million).

We enjoy a close relationship with our bank and have regular review meetings with them. On 10 March 2021, we signed a 12-month extension to the RCF and have made all the required repayments of capital and interest due and met the financial covenants. On 13 April 2022, we signed a new term loan through to 30 September 2024, which re-financed the existing £7.15m RCF at the same level of commitment, with repayment levels consistent with previous years and appropriate financial covenants.

To assess the appropriateness of preparing financial statements on a going concern basis, management prepared detailed projections of the consolidated income statements, balance sheets and cash flow statements through to 31 December 2023. This review period extends to the end of the financial year for 2023, which is looking forward for four six-month periods beyond that covered by the current annual report. The projections included testing against the minimum liquidity and cash flow cover covenants required by the new term loan facility.

These projections used the budget for 2022 and updated for current trading and forecasts. This analysis was then extended to the end of 2023. The projections were stress tested and pipeline project orders for 2022, at less than 50% probability were removed. The pipeline for 2023 was assessed based on historic conversion rates. The existing support service contracts, where revenue is recognised over time were assessed based on historic renewal rates, to establish the likely renewal of this recurring revenue. Management reviewed the resource levels and marketing spend required to support the reduced revenue and reflected cost reductions in the forecast. 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 31 December 2023, that it will meet the bank covenants 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
4 May 2022

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 take due consideration of 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 2021 and up to the date of publication of this report, the Board consists of the following Board members:

John Varney (Non-Executive Chairman)

Graham Pitman (Senior Independent Non-Executive Director)

Richard Logan (Non-Executive Director)

Chris Errington (Non-Executive Director) (from 4 May 2021)

Peter Mayhead (Chief Executive Officer)

David Dewhurst (Chief Financial Officer)

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, two Non-Executive Directors, 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 2021, expressed as the number of meetings attended compared to the number entitled to attend, was as follows:

	John Varney	Graham Pitman	Richard Logan	Chris Errington	Peter Mayhead	David Dewhurst
Board	12/12	12/12	12/12	8/8	12/12	12/12
Audit	3/3	3/3	3/3	2/2	3/3*	3/3*
Remuneration	3/3	3/3	3/3	2/2	NA	NA
Nomination	2/2	2/2	2/2	0/0**	2/2*	2/2*

* In attendance

** Meetings were held prior to appointment

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 the equivalent of 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 Company's Articles of Association require any new director appointed by the Board to retire from office and offer themselves for election by shareholders at the next Annual General Meeting following their appointment and at least once every three years thereafter.

For our 2022 AGM, Graham Pitman and Richard Logan retire from office by rotation and offer themselves for re-election by shareholders.

All other directors have been elected or 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 12 to 13.

NON-EXECUTIVE CHAIRMAN

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

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.

CORPORATE GOVERNANCE STATEMENT

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 2021 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 4, and 5 to 11. The Board uses these, together with the Directors' Report on pages 14 to 17, 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 execution 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 2021.

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.

In Q4 2021 the Group were awarded a Cyber Essentials Certificate of Assurance. This is a UK government backed scheme to ensure a level of best practice in IT platform management. This has helped drive our IT based processes to ensure our systems and tools are secure and maintained.

The company engages with the DPP security initiative and are active members in industry groups supported by the UK National Cyber Security Centre (NCSC), for sharing best practice and keeping up to date with industry security considerations.

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 2022 the Senior Independent Non-Executive Director, on behalf of the Board, conducted a Board Effectiveness Review (BER) for 2021 in accordance with the AIM QCA Code for Board evaluation.

The Board effectiveness model developed by Grant Thornton UK LLP which was introduced for this process in 2019 now underlies our annual framework for board meetings. This was done in response to the 2021 BER and ensures the Board considers: 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

CORPORATE GOVERNANCE STATEMENT

measurement of business performance and the quality of policies governance and compliance?

The BER consists of a process where each Board member independently completes a Board Effectiveness Scorecard which provides a quantitative measurement of Board Performance on the themes of Board Behaviour, Board Process and Structure, Board Skills and Attributes. Alongside this quantitative review is a qualitive process of one-on-one discussions with each Board member considering how well we perform against the goals set both by this scorecard and the framework we set ourselves as a Board. This enables executive and non-executive directors to express views on the degree to which the Board fulfilled its responsibilities and achieved best practice in the past year.

The Senior Independent Non-Executive Director draws together the findings of the review and reports them to the whole Board. This enables the Board to consider areas where either scores or dialogue indicates potential for improvement or identifies strengths that could be built on.

Whilst the 2022 findings were broadly consistent with 2021 it was pleasing to note that there had been a measurable improvement on the main themes and also in the specific areas where we set out to improve. The overall score marks Board performance as above average. On a few topics there was a single outlier score creating scatter which was discussed in the one-on-one meetings. In each case it was a marginal choice to select the score that created scatter and discussions bore out that a strong correlation in both findings and opinions exists, indicating that the Board as a collective has a clear view of its strengths and weaknesses.

THE AUDIT COMMITTEE

MEMBERSHIP AND DUTIES

In the period, Richard Logan chaired the Audit Committee. John Varney and Graham Pitman served on the Committee throughout the year, and Chris Errington served on the Committee following his appointment on 4 May 2021.

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; 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 ensure a balance of objectivity, value for money and compliance with our requirement for independence. Following a recent review it was decided that the UK tax compliance work for the year ended 31 December 2021 would be moved to a firm independent of the auditor. Any other non-audit work performed by the auditor was considered to be the most cost-effective way of conducting our business and that no conflicts of interest existed.

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 2021.

ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee met twice during 2021 and once up to the date of publication of this report in 2022 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 2020, 31 December 2021 and the 2021 interim results prior to approval by the Board;

- considered and reviewed the 2020 and 2021 annual reports and financial statements and the 2021 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 2021 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 the Audit Findings Report from the external auditor at the conclusion of their audit which identified weaknesses in 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 2021, 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 agreed 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 any impairment below carrying value which could have a material impact on the parent company's financial statements.	The audit committee agreed that the conclusion that no impairment was required was reasonable.
Going Concern The audit committee has reviewed the forecast which shows steady costs and an increasing revenue which is driving an increasing profit. 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 and Richard Logan served on the Committee throughout 2021. Chris Errington served on the Committee following his appointment on 4 May 2021. 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 two 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 page 25 to 28.

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 at the next AGM on 27 June 2022.

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
4 May 2022

REMUNERATION REPORT

As Chairman of the Remuneration Committee, I am pleased to present the Group's remuneration report for the financial year ended 31 December 2021, which has been approved by the Board. I was appointed as Chairman of the Remuneration Committee in May 2021, replacing Graham Pitman. Other members of the Committee that served throughout the year were John Varney, Graham Pitman and Richard Logan.

As the Group is not required to provide a directors' remuneration report in accordance with schedule 8 to SI 2008/410, this disclosure is made voluntarily and that it is not intended to comply with the requirements of schedule 8 of SI 2008/410.

COMMITTEE ACTIVITIES

The Remuneration Committee's main responsibility is to ensure that payments to executives are appropriate and aligned with shareholder interests, producing sustainable value creation through the delivery of our business strategy.

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

No member of the Committee has any personal financial interest in the Company or Group (other than as a shareholder or director) and there are no conflicts of interest arising from cross-directorships or day-to-day involvement in running the business.

The 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 of the Committee 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 REPORT PART A (NOT SUBJECT TO AUDIT)

REMUNERATION POLICY

The date from which it is intended by the Company that the remuneration policy is to take effect is 1 January 2022.

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

The following table summarises the key elements of remuneration policy:

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. 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) 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. 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 EBITDA (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

BOARD CHANGES AND SERVICE CONTRACTS

During the year, the following changes Board changes took place:

Chris Errington was appointed to the Board on 4 May 2021 as a non-executive director and was appointed Chairman of the Remuneration Committee.

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 17 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.

REMUNERATION REPORT PART B (SUBJECT TO AUDIT)
REPORT ON EXECUTIVE DIRECTORS' EMOLUMENTS

Directors' emoluments and pension contributions for the year ended 31 December 2021 were as follows:

	Basic salary and fees £000	Bonus £000	Benefits £000	Emoluments before pension contributions £000	Pension contributions £000	2021 Total £000	2020 Total £000
Executive Directors							
Peter Mayhead	185	70	14	269	18	**287**	197
David Dewhurst	150	52	1	203	8	**211**	39
Non–executive Directors							
John Varney	70	–	–	70	–	**70**	70
Graham Pitman	35	–	–	35	–	**35**	32
Richard Logan	30	–	–	30	–	**30**	20
Chris Errington (from 4 May 2021)	20	–	–	20	–	**20**	–
Robin Howe (to end June 2020)	–	–	–	–	–	**–**	20
	490	122	15	627	26	**653**	378

The fee for the services of Chris Errington is paid to Kestrel Partners LLP and not to Chris directly.

REMUNERATION REPORT

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 2021	At 31 December 2020
Executive Directors		
Peter Mayhead	**2,177**	2,177
David Dewhurst	**Nil**	Nil
Non–Executive Directors		
John Varney	**1,062,229**	1,062,229
Graham Pitman	**702,068**	702,068
Richard Logan	**235,000**	235,000
Chris Errington *	**Nil**	N/A

* Chris Errington is a partner in Kestrel Partners LLP. Kestrel Partners LLP manages the Kestrel Opportunities Fund, who hold (and consequently Mr. Errington is deemed to have a beneficial interest in) 12,395,625 shares, and other clients of Kestrel, in which Chris Errington has no beneficial interest hold 24,689,904 Shares. On a combined basis, Kestrel indirectly controls voting rights over 37,085,529 shares, representing 29.76% per cent of the Company's issued share capital.

DIRECTORS' INTEREST IN SHARE AWARD SCHEMES

The interests of the directors in share award schemes were as follows:

	Held at 1 January 2021	**Granted in year**	**Exercised in year**	**Lapsed in year**	**Held at 31 December 2021**	**Date of grant**	**Exercise price (pence)**	**Date first exercisable**	**Expiry date**
P Mayhead [1]	3,000,000	0	0	(1,000,000)	2,000,000	21-Jun-19	6.18	21-Jun-24	20-Jun-29
P Mayhead [2]	100,000	0	0	0	100,000	03- Jun-14	0.00	03-Jun-17	03-Jun-24

[1] Granted under the 2019 Share Option Scheme and all remaining option, after lapses, vested on 31 Dec 2021 (2020: none vested)

[2] Granted under the 2008 LTIP Scheme and all vested at 31 Dec 2021 (2020: all vested)

Further details concerning share option schemes can be found in note 22.

STATEMENT OF VOTING AT GENERAL MEETING

At the last AGM held on 23 June 2021, 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 2020.

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 4 May 2022 and signed on its behalf by:

Chris Errington
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 2021, 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 UK-adopted international accounting standards.

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 2021 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 UK-adopted international accounting standards;
- 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.

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

OUR APPROACH TO THE AUDIT

Grant Thornton

Overview of our audit approach

Overall materiality:

Group: £159,000, which represents approximately 1.5% of the group's revenue for the year.

Parent company: £119,000, which represents approximately 0.5% of the parent company's total assets as at the year end.

Key audit matters were identified as:

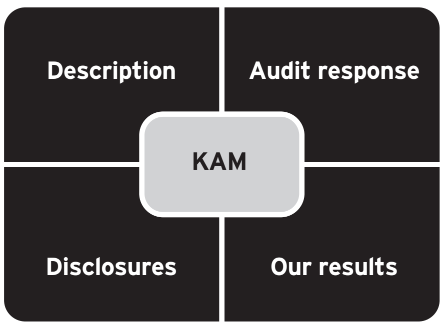
- Going concern (group and parent company) – same as previous year;
- Revenue recognition (group) – same as previous year;
- Valuation of goodwill on consolidation and other intangible assets (group) – same as previous year; and
- Valuation of investment in subsidiaries (parent company) - same as previous year.

Our auditor's report for the year ended 31 December 2020 included no key audit matters that have not been reported as key audit matters in our current year's report.

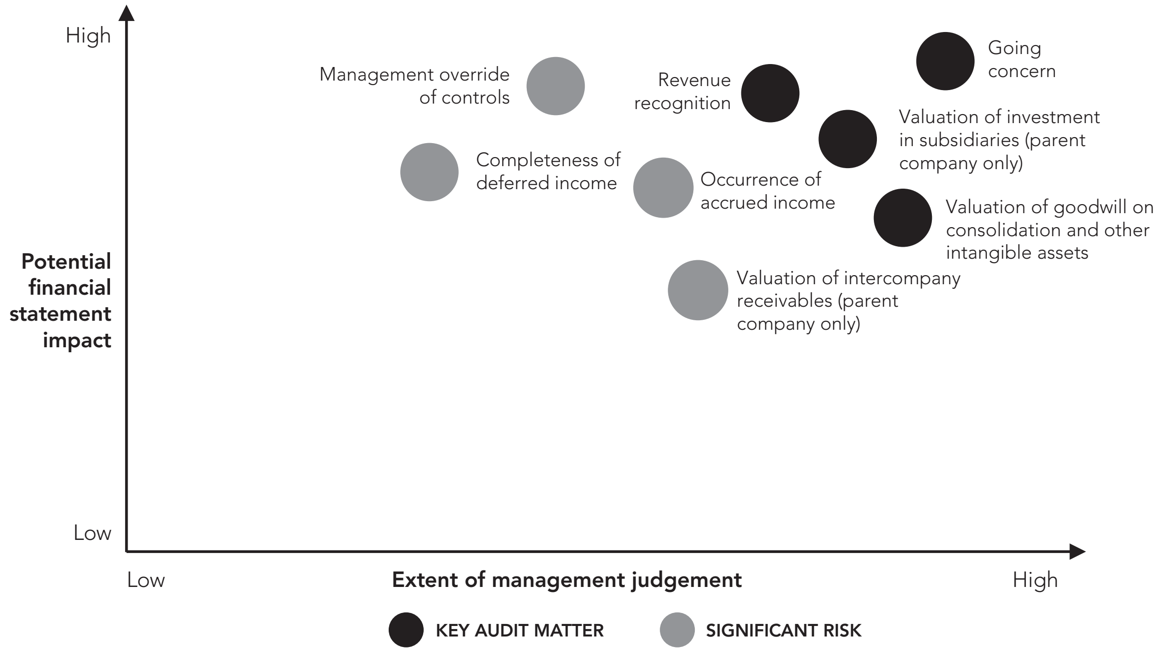
We performed an audit of the financial information of the parent company and the other significant component, using component materiality (full-scope audit procedures), being Pebble Beach Systems Ltd and an audit of one or more account balances, classes of transactions or disclosures (specific-scope audit procedures) of a further component, being Pebble Broadcast Systems Inc, to gain sufficient appropriate audit evidence at the Group level. We performed analytical procedures on the financial information of the remaining components in the Group during the year. This approach is the same as the previous year.

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 and significant 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
Going concern We identified going concern as one of the most significant assessed risks of material misstatement due to error. Covid-19 continues to have a negative impact on parts of the business and given the impact of a global recession this could adversely impact the future trading performance of the group and the parent company. In addition, it is noted that a new loan agreement was entered into by the group in April 2022 which included forward looking covenants which are required to be complied with. These factors increase the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. Note, this is considered a risk at both a group and a parent company level with the work performed being the same for both.	In responding to the key audit matter, we performed the following audit procedures: • Obtained an understanding of, and assessed the design effectiveness of, key controls over management's going concern models, including those over the inputs and assumptions used in the models; • Considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19; • Assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period; • Obtained management's Base Case, Stress test and reverse stress test models with the relevant going concern period assessed as being to the end of December 2023; • Assessed the appropriateness of management's assumptions in relation to revenue by comparing the predicted order book conversation rates to historical performance, the timing of revenue recognition in comparison to the current stage of completion of projects and the expected sales to supporting documentation such as signed contracts or purchase orders; • Assessed the appropriateness of management's assumptions in relation to expenses by comparing the predicted total costs to historical performance, adjusted for known changes in the business operations; • Examined the sensitivity analysis carried out by management on the revenue and expense assumptions and challenged management on these assumptions in order to assess the levels of uncertainty inherent in the forecasts and the impact of sensitivities against the headroom; • Confirmed the terms and conditions of loan covenants and assessed whether these would likely be breached within the assessment period; • Assessed the likelihood and impact of mitigating factors including potential cost savings identified by reference to supporting documentation and discussions with management; • Assessed the ability of management to forecast accurately by comparing current year actual results against forecasts prepared in the prior year; • Compared post year-end performance against forecasts; and • Assessed the adequacy of related disclosures within the annual report.
Relevant disclosures in the Annual Report and Accounts 2021 • Financial statements: Note 2, Significant Accounting Policies • Audit committee report: page 22	**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 the group's disclosure to be in accordance with IAS 1.

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 2021 was £10.6 million (2020: £8.4 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 open contracts at the year end where revenue is recognised on a percentage completion basis over time. 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: • Obtained an understanding of the design and implementation of processes and controls through which the business initiates, records and recognises revenue transactions; • 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; • We developed an understanding of the key performance obligations by obtaining copies of a sample of contracts and evaluated management's assessment of performance obligations, allocation of contract proceeds and subsequent revenue recognition to determine whether the revenue has been recognised in accordance with the terms of contract and revenue recognition policy; • We tested a sample of revenue transactions to obtain audit evidence supporting the revenue recognised during the year, such as proof of delivery of goods, approved timesheets and contracts with 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 2021 • 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 2021.

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

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 identification of CGUs; • the weighted average cost of capital ('WACC') used to discount the cash flows within the group's impairment assessment, which is the most sensitive assumption in the cash flow forecast; and • the assumptions of expected future cash flows associated with the CGU which are highly sensitive to variations in the short-term cash flow growth assumptions. Management have identified a single CGU for which there is goodwill of £3.2m and other assets of £2.8m giving rise to a carrying value of £6.0m for the single CGU as a whole.	In responding to the key audit matter, we performed the following audit procedures: • Obtained an understanding of 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 and challenged the appropriateness of management's assessment that there is only a single CGU; • 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; • Examined and sensitised management's value in use model underpinning their impairment assessment, identifying the key assumptions; • Examined management's model and assessed whether the accounting policies adopted by the directors are in accordance with the requirements of IAS 36 'Impairment'; • 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; 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 2021 • Financial statements: Note 12, Intangible Assets • Audit committee report: Page 22	**Our results** Based on our audit work, we are satisfied that the valuation methodologies and assumptions made in management's assessment of goodwill impairment did not result in impairment of goodwill or other intangible assets. We consider that the group's disclosure is in accordance with IAS 36 and have identified no material misstatements in the underlying calculations.

Key Audit Matter – Parent company	How our scope addressed the matter – Parent company
Valuation of investment in subsidiaries We identified valuation of investment in subsidiaries as one of the most significant assessed risks of material misstatement due to error. Calculating the value in use, through forecasting cash flows related to the investment 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 parent company's financial statements. We identified significant management judgements in the following areas: • the weighted average cost of capital ('WACC') used to discount the cash flows within the group's impairment assessment, which is the most sensitive assumption in the cash flow forecast; and • the assumptions of expected future cash flows associated with the investments used which are highly sensitive to variations in the short-term cash flow growth assumptions. Investments in subsidiaries amount to £24.5m of which £14.9m relates to the investment in Pebble Beach Systems Limited. The remaining balance of £9.6m relates to investments in holding companies which are non-trading	In responding to the key audit matter, we performed the following audit procedures: • Obtained an understanding of the design and implementation of the group's process and key controls around the valuation of investment in subsidiaries. In particular, those assessing the selection of key assumptions within the impairment assessment; • Considered the completeness of management's assessment of impairment indicators for the investment balance; • Tested the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends; • Examined and sensitised management's value in use model underpinning their impairment assessment, identifying the key assumptions; • Examined management's model and assessed whether the accounting policies adopted by the directors are in accordance with the requirements of IAS 36 'Impairment'; • 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 relevant sensitivities in combination to determine their collective impact on the valuation of the goodwill on consolidation and other intangible assets; and • Calculated fair value less costs of disposal by considering the Group's market capitalisation and compared this to the carrying value of the investment in subsidiary.
Relevant disclosures in the Annual Report and Accounts 2021 • Financial statements: Note H, Investment in Subsidiaries • Audit committee report: Page 22	**Our results** Based on our work we concluded that management's judgement that no impairment was required as at 31 December 2021 was reasonable.

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.

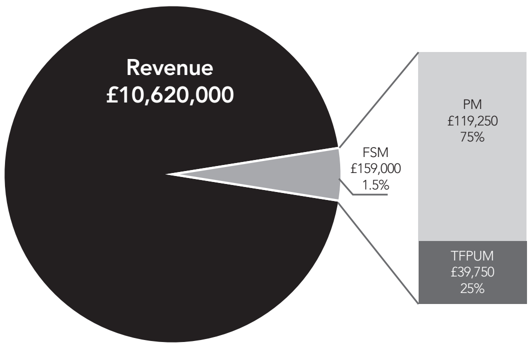
Materiality was determined as follows:

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	£159,000, which is approximately 1.5% of total revenue for the year.	£119,000, which is approximately 0.5% of total assets as at 31 December 2021.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: • Revenue is considered to be 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 higher than the level that we determined for the year ended 31 December 2020 to reflect the increase in revenue in the current year.	In determining materiality, we made the following significant judgements: • The company's total assets are considered the most appropriate benchmark because its principal activity is that of a holding company, with the largest financial statement line items being investments. • This has been restricted to be lower than group materiality as it is a component of the group. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2020 as a result of a lower loss for the individual company compared to total group profit for the year in comparison to the prior year.
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	£119,250, which is 75% of financial statement materiality.	£89,250, 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: We reviewed the prior year audit findings document, where minimal audit findings were identified, including a minimal number of misstatements which were not considered significant. We also identified a strong control environment.	In determining performance materiality, we made the following significant judgements: We reviewed the prior year audit findings document, where minimal audit findings were identified, including a minimal number of misstatements which were not considered significant. We also identified a strong control environment.

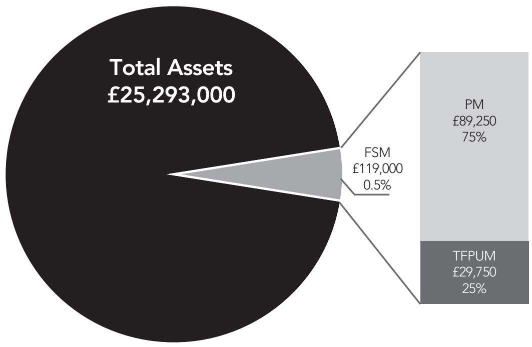
Materiality measure	Group	Parent company
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: • directors' remuneration; and • related party transactions.	We determined a lower level of specific materiality for the following areas: • 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	£8,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£6,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality – Group



Overall materiality – Parent company



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 –

- The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level; and
- The engagement team obtained an understanding of the effect of the group organisational structure on the scope of the audit, identifying that the group financial reporting system is centralised and that there is a use of management experts where required.

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

IDENTIFYING SIGNIFICANT COMPONENTS

- Significant components were identified through assessing their relative share of key financial metrics including total revenue, total expenses, absolute loss before taxation, total assets and total liabilities.
- Other components were selected where we determined there to be a specific risk profile in those components and were included in the scope of our group reporting work in order to provide sufficient coverage over the group's results. For these components, an audit of one or more account balances or class of transactions (specific scope procedures) was performed.
- All other components of the group were selected as 'neither significant nor material' and analytical procedures performed.

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

- Performance of full-scope audits of the financial information of Pebble Beach Systems Group Plc and Pebble Beach Systems Ltd.
- Specific-scope audit procedures were performed for Pebble Broadcast Systems Inc.
- Analytical procedures were performed for all other components using group materiality.

Audit approach	No. of components	% Coverage total assets	% Coverage revenue
Full-scope audit	2	95.9	90.5
Specific-scope audit	1	-	9.5
Analytical procedures	5	4.1	-

PERFORMANCE OF OUR AUDIT

- The year-end audit was conducted remotely due to Covid-19 restrictions and social distancing requirements. This was supported through the use of software collaboration platforms for the secure and timely delivery of requested audit evidence.
- Despite restrictions, we were still able to physically attend and observe the year end inventory count in the UK.

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 directors' responsibilities statement, 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.

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 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 framework, being the Companies Act 2006 and UK-adopted international accounting standards, together with the QCA Corporate Governance Code, the AIM Rules for Companies and those laws and regulations relating to employee matters.
- We obtained an understanding of how the Pebble Beach Systems Group Plc group is complying with those legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes and correspondence received from regulatory bodies.

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

- We assessed the susceptibility of the group'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 and implementation of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on material manual journals, including those posted directly to revenue and cash and those impacting areas of estimation uncertainty; and
  - challenging assumptions and judgements made by management in its significant accounting estimates.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- 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 group operate; and
  - understanding of the legal and regulatory requirements specific to the group.
- Team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition through manipulation of open contracts at the year end where revenue is recognised on a percentage completion basis over time. This is also reported as a key audit matter in the key audit matter section of our report where the matter is explained in more detail and the specific procedures, we performed in response to the key audit matter are described in more detail.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery, or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

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.

Jonathan Oakey FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Crawley
4 May 2022

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Revenue	5	**10,620**	8,393
Cost of sales		**(2,490)**	(1,964)
Gross profit		**8,130**	6,429
Sales and marketing expenses		**(1,777)**	(1,687)
Research and development expenses		**(1,417)**	(1,263)
Administrative expenses		**(2,782)**	(1,870)
Foreign exchange (loss)/gain		**(40)**	15
Other expenses	6	**(244)**	(156)
Operating profit	6	**1,870**	1,468
Operating profit is analysed as:			
Adjusted EBITDA		**3,282**	2,670
Non-recurring items	6	**(244)**	–
Share based payment expense		**(53)**	(12)
Exchange (losses)/gains (charged)/credited to the income statement	6	**(40)**	15
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**2,945**	2,673
Depreciation		**(160)**	(234)
Amortisation and impairment of acquired intangibles		**–**	(156)
Amortisation of capitalised development costs		**(915)**	(815)
Finance costs	8	**(373)**	(374)
Finance income	8	**–**	1
Profit before tax		**1,497**	1,095
Tax	9	**(31)**	199
Net profit for the year		**1,466**	1,294

Earnings per share from continuing operations attributable to the parent during the year			
Basic earnings per share			
From continuing operations		**1.2p**	1.0p
From profit for the year	11	**1.2p**	1.0p
Diluted earnings per share			
From continuing operations		**1.2p**	1.0p
From profit for the year	11	**1.2p**	1.0p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £000	2020 £000
Profit for the financial year	**1,466**	1,294
Other comprehensive income – items that will not be reclassified subsequently to profit or loss:		
Exchange difference on translation of overseas operations		
– continuing operations	**(1)**	26
Total comprehensive income for the financial year	**1,465**	1,320

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Assets			
Non-current assets			
Intangible assets	12	**5,601**	5,001
Property, plant and equipment	13	**349**	1,208
Deferred tax assets	21	**–**	–
Total non-current assets		**5,950**	6,209
Current assets			
Inventories	14	**430**	148
Trade and other receivables	15	**3,632**	3,125
Cash and cash equivalents	16	**1,639**	826
Total current assets		**5,701**	4,099
Liabilities			
Current liabilities			
Financial liabilities – borrowings	18	**1,200**	1,800
Trade and other payables	17	**5,832**	4,059
Lease liabilities – current	20	**173**	145
Total current liabilities		**7,205**	6,004
Net current liabilities		**(1,504)**	(1,905)
Non-current liabilities			
Financial liabilities – borrowings	18	**6,350**	6,750
Lease liabilities – non-current	20	**44**	1,020
Deferred tax liabilities	21	**–**	–
Total non-current liabilities		**6,394**	7,770
Net liabilities		**(1,948)**	(3,466)
Equity attributable to owners of the parent			
Ordinary shares	22	**3,115**	3,115
Share premium	23	**6,800**	6,800
Capital redemption reserve	23	**617**	617
Merger reserve	23	**29,778**	29,778
Translation reserve	23	**(151)**	(150)
Accumulated losses		**(42,107)**	(43,626)
Total deficit		**(1,948)**	(3,466)

The financial statements on pages 41 to 80 were approved by the Board of directors on 4 May 2022 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 2021

	Ordinary shares £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Translation reserve £000	Accumulated losses £000	Total £000
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)
At 1 January 2021	**3,115**	**6,800**	**617**	**29,778**	**(150)**	**(43,626)**	**(3,466)**
Share based payments: value of employee services	**–**	**–**	**–**	**–**	**–**	**53**	**53**
Transactions with owners	**–**	**–**	**–**	**–**	**–**	**53**	**53**
Retained profit for the year	**–**	**–**	**–**	**–**	**–**	**1,466**	**1,466**
Exchange differences on translation of overseas operations	**–**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(1)**	**1,466**	**1,465**
At 31 December 2021	**3,115**	**6,800**	**617**	**29,778**	**(151)**	**(42,107)**	**(1,948)**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Cash generated from operations	24	**3,815**	2,484
Interest paid		**(373)**	(374)
Taxation paid		**(31)**	(46)
Net cash generated from operating activities		**3,411**	2,064
Cash flows from investing activities			
Interest received		**–**	1
Purchase of property, plant and equipment	13	**(82)**	(107)
Expenditure on capitalised development costs	12	**(1,515)**	(1,301)
Net cash used in investing activities		**(1,597)**	(1,407)
Cash flow from financing activities			
Cash used in repayment of financing activities		**(1,000)**	(1,000)
Net cash used in financing activities		**(1,000)**	(1,000)
Net increase/(decrease) in cash and cash equivalents		**814**	(343)
Effect of foreign exchange rate changes		**(1)**	25
Cash and cash equivalents at 1 January		**826**	1,144
Cash and cash equivalents at 31 December	16	**1,639**	826

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 90 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 UK-adopted international accounting standards.

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 results 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 2021, the Group's net debt was £5.9 million (2020: £7.7 million), comprising cash of £1.6 million (2020: £0.8 million) and the drawn down RCF from Santander of £7.5 million (2020: £8.5 million).

We enjoy a close relationship with our bank and have regular review meetings with them. On 10 March 2021, we signed a 12-month extension to the RCF and have made all the required repayments of capital and interest due and met the financial covenants. On 13 April 2022, we signed a new term loan through to 30 September 2024, which re-financed the existing £7.15m RCF at the same level of commitment, with repayment levels consistent with previous years and appropriate financial covenants.

To assess the appropriateness of preparing financial statements on a going concern basis, management prepared detailed projections of the consolidated income statements, balance sheets and cash flow statements through to 31 December 2023. This review period extends to the end of the financial year for 2023, which is looking forward for four six-month periods beyond that covered by the current annual report. The projections included testing against the minimum liquidity and cash flow cover covenants required by the new term loan facility.

These projections used the budget for 2022 and updated for current trading and forecasts. This analysis was then extended to the end of 2023. The projections were stress tested and pipeline project orders for 2022, at less than 50% probability were removed. The pipeline for 2023 was assessed based on historic conversion rates. The existing support service contracts, where revenue is recognised over time were assessed based on historic renewal rates, to establish the likely renewal of this recurring revenue. Management reviewed the resource levels and marketing spend required to support the reduced revenue and reflected cost reductions in the forecast. 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 31 December 2023, that it will meet the bank covenants 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 2021. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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	5 per cent or the remaining term of the leases. The original length of the leases is between 15 and 30 years.
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).

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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. At the year end there were no material assets or liabilities (2020: £Nil). 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' (i.e. the Group does not provide a significant service integrating, modifying or customising it).

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Generally, the different performance obligations will conform to the different revenue streams. Where these are not directly observable, they are estimated on an expected cost-plus margin.

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. Where manufacturers' warranties are provided by the suppliers they are passed on to the customers. Costs to obtain contracts prior to receipt of order are expensed immediately, except commission. 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. There were no loss making contracts in 2021.

The Group identified, under IFRS 15, that the only capitalised contract cost where required, is commission. Commission cost is capitalised as a prepayment 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 trade and other payables.

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.

Payment terms are typically on receipt of invoice or 30 days from invoice for contracts involving multiple performance obligations and in advance for support contracts. The Group does not expect to have any contracts where the period between transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The revenue is divided into the following streams:

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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 and assessed on a contract by contract basis. 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 to the contract for 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.

(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.

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 2021.

NON-RECURRING ITEMS

These are material items excluded from management's assessment of profit because by their nature they could distort the annual trend in the Group's 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.

3. FINANCIAL RISK MANAGEMENT CONTINUED

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.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into pounds sterling at the closing rate.;

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

	2021 £000	2020 £000
Pounds Sterling	**915**	1,023
US dollars	**808**	335
Euros	**331**	489
	2,054	1,847

The amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2021 £000	2020 £000
Pounds Sterling	**1,108**	539
US dollars	**301**	232
Euros	**230**	55
	1,639	826

The amounts of the Group's trade and other payables are denominated in the following currencies:

	2021 £000	2020 £000
Pounds Sterling	**5,131**	3,391
US dollars	**644**	541
Euros	**57**	127
	5,832	4,059

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 2021**	Average rate 2020	**Year end rate 2021**	Year end rate 2020
US dollar	**1.376**	1.284	**1.348**	1.365

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

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.

The following table illustrates the sensitivity of profit and equity relating to the Group's US business and the GBP/USD exchange rate 'all other things being equal'. It assumes a +/- 10 per cent change of the GBP/USD exchange rate for the year ended 31 December 2021 (2020: 10 per cent). This percentage has been determined based on the average market volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the Group's result and net assets and liabilities of the US business at each reporting date.

	Profit for the year 2021	Profit for the year 2020	**Equity 2021**	Equity 2020
USD strengthens by 10 per cent	**52**	4	**54**	4
USD weakens by 10 per cent	**(42)**	(3)	**(45)**	(3)
EUR strengthens by 10 per cent	**57**	46	**57**	46
EUR weakens by 10 per cent	**(47)**	(38)	**(47)**	(38)

The higher foreign currency exchange rate sensitivity in profit in 2021 compared with 2020 is attributable to the improved US result. Equity is less sensitive in 2021 than in 2020 because of a reduction in net US liabilities.

(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 interest charge on the Group's RCF facility at 31 December 2021 was 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 13 April 2022, a new term loan facility was signed, refinancing the existing £7.15 million revolving credit facility agreement. The new term loan secures a £7.15 million facility until 30 September 2024, with revised financial 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. FINANCIAL RISK MANAGEMENT CONTINUED

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 three months £000	Between three months and one year £000	More than one year £000	Total £000
At 31 December 2021:				
Bank loans (secured)	**400**	**800**	**6,350**	**7,550**
Trade and other payables*	**2,691**	**–**	**–**	**2,691**
Lease liabilities	**45**	**128**	**44**	**217**
At 31 December 2020:				
Bank loans (secured)	450	1,350	6,750	8,550
Trade and other payables*	1,838	–	–	1,838
Lease liabilities	40	105	1,020	1,165

* Included within trade and other payables is accrued interest on the RCF facility of £Nil (2020: £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 £4.0 million at 31 December 2021 (2020: £4.3 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 (see note 12).

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 judgement 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.

ESTIMATES

The Group has the following significant estimate 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 directors believe there is only one operating segment, with one interlinked revenue stream derived from a single customer relationship held by Pebble Beach Systems, and the other segment is the corporate costs of running the public company. The analysis between these component parts for the year ended 31 December 2021 is as follows:

Segmental reporting by division	Pebble Beach Systems £000	PLC costs £000	**Total £000**
Year ended 31 December 2021			
Income statement:			
Broadcast	10,620	–	**10,620**
Total revenue	10,620	–	**10,620**
Adjusted EBITDA	3,862	(580)	**3,282**
Depreciation	(160)	–	**(160)**
Amortisation of capitalised development costs	(915)	–	**(915)**
Non-recurring items	(244)	–	**(244)**
Share based payment expense	–	(53)	**(53)**
Exchange losses	(40)	–	**(40)**
Finance costs	(81)	(292)	**(373)**
Intercompany finance income/(costs)	107	(107)	**–**
Profit/(loss) before taxation	2,529	(1,032)	**1,497**
Taxation	(298)	267	**(31)**
Profit/(loss) for the year being attributable to owners of the parent	2,231	(765)	**1,466**
Segment assets			
Non-current assets	5,950	–	**5,950**
Current assets	5,517	184	**5,701**
Total assets	11,467	184	**11,651**
Total liabilities	(5,607)	(7,992)	**(13,599)**
Total net assets/(liabilities)	5,860	(7,808)	**(1,948)**
Other segment items			
Capital expenditure	82	–	**82**
Capitalised development expenditure	1,515	–	**1,515**
Depreciation	404	–	**404**
Amortisation of intangibles	915	–	**915**

PLC costs represent corporate expenses.

5. SEGMENTAL REPORTING CONTINUED

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.

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	(564)	2,670
Depreciation	(234)	–	(234)
Amortisation of acquired intangibles	(156)	–	(156)
Amortisation of capitalised development costs	(815)	–	(815)
Share based payment expense	–	(12)	(12)
Exchange gains/(losses)	(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

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.

	2021 £000	2020 £000
By market:		
UK and Europe	**6,385**	4,855
North America	**927**	842
Latin America	**567**	333
Middle East and Africa	**1,940**	2,114
Asia/Pacific	**801**	249
Total revenue by market	**10,620**	8,393

One customer in UK and Europe accounted for £1.2 million revenue in 2021 (2020: £nil).

	2021 £000	2020 £000
By segment stream:		
Hardware transferred at a point in time	**2,016**	706
Software transferred at a point in time	**2,904**	2,297
Installation transferred over time	**1,121**	1,413
Support transferred over time	**4,579**	3,977
Total revenue by stream	**10,620**	8,393

Non-current assets, other than financial instruments and deferred tax, located in the UK are £5.9 million (2020: £6.2 million) and rest of world £Nil (2020: £Nil).

6. OPERATING PROFIT

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

	2021 £000	2020 £000
Inventory recognised as an expense	**1,288**	644
Director and employee costs	**5,888**	4,782
Depreciation of property, plant and equipment	**160**	234
Amortisation of acquired intangibles	**–**	156
Non-recurring items	**244**	–
Exchange loss/(gain) charged/(credited) to the income statement	**40**	(15)
Research and development expenditure expensed in the year which includes:	**1,417**	1,263
– Amortisation of capitalised development costs	**915**	815

OTHER EXPENSES

Other expenses comprise:

	2021 £000	2020 £000
Amortisation of acquired intangibles	**–**	156
Non-recurring items	**244**	–
	244	156

NON-RECURRING ITEMS

The following items are excluded from management's assessment of profit because by their nature they could distort the annual trend in the Group's 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:

	2021 £000	2020 £000
Provision for costs of transition to remote working	**244**	–

6. OPERATING PROFIT CONTINUED

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:

	2021 £000	2020 £000
Analysis of fees payable to Grant Thornton UK LLP		
Audit of the parent company and consolidated financial statements	**40**	16
Audit of the Company's subsidiaries	**37**	36
	77	52
Taxation compliance services	**21**	18
Taxation advisory services	**2**	24
Other non-assurance services	**3**	–
	103	94

A description of the work of the Audit Committee is set out in the Corporate Governance Statement on pages 22 to 23 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:

	2021 £000	2020 £000
Wages and salaries	**5,200**	4,185
Social security costs	**457**	439
Other pension costs – defined contribution plans (note 25)	**178**	146
Share based payment expense (note 22)	**53**	12
	5,888	4,782

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

	2021 Number	2020 Number
Average monthly number of employees		
Broadcast sales and marketing	**18**	16
Technology	**29**	24
Logistics	**22**	23
General and Admin	**16**	14
	85	77

The average number of employees includes directors with service contracts. The total number of employees at 31 December 2021 was 92 (2020: 81).

Key management compensation for the continuing business:

	2021 £000	2020 £000
Short term employee benefits – including salaries, social security costs and non-monetary benefits	**1,223**	838
Post-employment benefits – defined contribution pension plans	**46**	37
Terminations	**–**	76
Share based payment expense (note 22)	**53**	12
	1,322	963

The analysis of key management compensation above includes 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 25 to 28.

8. FINANCE COSTS

	2021 £000	2020 £000
Interest expense for bank borrowing	**292**	334
Interest expense for leasing and other arrangements	**40**	40
Other interest costs	**41**	–
Total finance costs	**373**	374
Finance income	**–**	(1)
Finance costs – net	**373**	373

Finance income is derived from cash held on deposit.

9. INCOME TAX EXPENSE

A) ANALYSIS OF THE TAX CHARGE IN YEAR

	2021 £000	2020 £000
Current tax		
UK corporation tax	**–**	–
Foreign tax – current year	**31**	35
Adjustments in respect of prior years	**–**	11
Total current tax	**31**	46
Deferred tax		
UK deferred tax	**–**	(276)
Effect of changes in UK tax rate	**–**	26
Adjustments in respect of prior years	**–**	5
Total deferred tax	**–**	(245)
Total taxation	**31**	(199)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

9. INCOME TAX EXPENSE CONTINUED

B) FACTORS AFFECTING TAX CHARGE FOR YEAR

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

	2021 £000	2020 £000
Profit before tax on continuing operations	**1,497**	1,095
Tax at the UK corporation tax rate of 19.00% (2020: 19.00%)	**285**	208
Adjustments in respect of prior years	**–**	16
Permanent differences	**5**	4
Enhanced R&D tax relief	**(311)**	(235)
Foreign tax	**31**	35
Losses utilised	**(83)**	(9)
Depreciation of NQAs	**1**	1
Current year losses not recognised	**103**	(248)
Effect of changes in UK tax rate	**–**	29
Total taxation	**31**	(199)

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase from 19 per cent to 25 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

	2021 £000	2020 £000
Final dividend paid of nil pence per share (2020: nil pence per share)	**Nil**	Nil

The directors do not recommend payment of a final dividend for the year ended 31 December 2021.

11. EARNINGS PER SHARE (EPS)

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.

	2021 Weighted average number of shares 000s	2020 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	**1,198**	2,285
Weighted-average number of ordinary shares (diluted) at 31 December	**125,775**	126,862

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

	2021			2020		
	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	**1,466**		**1.2p**	1,294		1.0p
Basic earnings and EPS	**1,466**	**124,477**	**1.2p**	1,294	124,477	1.0p
Diluted earnings per share						
Profit attributable to continuing operations	**1,466**		**1.2p**	1,294		1.0p
Diluted EPS	**1,466**	**125,775**	**1.2p**	1,294	126,862	1.0p

ADJUSTED EARNINGS

The directors believe that adjusted EBITDA, adjusted earnings and adjusted earnings per share all provide additional useful information on annual 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 to earnings 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 adjusted earnings and basic earnings per share is shown below:

	£000	**2021 Pence**	£000	2020 Pence
Reported earnings and EPS	**1,466**	**1.2p**	1,294	1.0p
Amortisation of acquired intangibles	**–**	**0.0p**	126	0.1p
Share based payment expense	**53**	**0.0p**	12	0.0p
Exchange (gains)/losses	**32**	**0.0p**	(12)	0.0p
Adjusted earnings and EPS	**1,551**	**1.2p**	1,420	1.1p

12. INTANGIBLE ASSETS

	Goodwill £000	Acquired customer relationships £000	Acquired intellectual property £000	Capitalised development costs £000	Total £000
Cost					
At 1 January 2020	3,218	4,493	3,350	4,122	15,183
Additions	–	–	–	1,301	1,301
At 1 January 2021	3,218	4,493	3,350	5,423	16,484
Additions	–	–	–	1,515	1,515
At 31 December 2021	**3,218**	**4,493**	**3,350**	**6,938**	**17,999**
Accumulated amortisation					
At 1 January 2020	–	4,337	3,350	2,825	10,512
Charge for the year	–	156	–	815	971
At 1 January 2021	–	4,493	3,350	3,640	11,483
Charge for the year	–	–	–	915	915
At 31 December 2021	**–**	**4,493**	**3,350**	**4,555**	**12,398**
Net book value					
At 31 December 2021	**3,218**	**–**	**–**	**2,383**	**5,601**
At 31 December 2020	3,218	–	–	1,783	5,001
At 1 January 2020	3,218	156	–	1,297	4,671

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 Income Statement. Within development costs there are £3.2 million (2020: £2.4 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.

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 2021 is £3.2 million (2020: £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 2021 and the discount rate applied. The forecast business performance assumes an average revenue growth rate of 8 per cent each year over the next five years (2020: 11 per cent) and a terminal growth rate of 2 per cent (2020: 5 per cent). Growth peaks in 2022, as the business continues to recover from the reduced sales levels of 2020.

The cash flow projections have been discounted to present value using a pre-tax discount rate of 8.9 per cent (2020: 7.2 per cent), which has been used for the purpose of the impairment test. The discount rate used is the Group's weighted average cost of capital, derived from the benchmark rate of return, being the risk free rate plus 10 per cent, and the Group's cost of debt being 3.8 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 discount rate would have to be 43.4 per cent for the goodwill to be impaired. 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.

Capitalised development costs are classified in the table below:

Product type	Amortisation period	**2021 Net book value**	2020 Net book value
Existing installed products	Products amortised over 3 years	**1,265**	1,233
New IP based solutions	Products amortised over 5 years	**1,118**	550
Total capitalised development costs		**2,383**	1,783

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 2020	1,127	116	153	593	1,989
Additions	153	–	13	94	260
Disposals	–	–	–	(4)	(4)
Exchange adjustment	–	–	–	(1)	(1)
At 1 January 2021	1,280	116	166	682	2,244
Additions	–	–	–	82	82
Lease adjustment	(715)	–	–	–	(715)
At 31 December 2021	**565**	**116**	**166**	**764**	**1,611**
Accumulated depreciation					
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 1 January 2021	282	61	143	550	1,036
Charge for the year	88	8	11	53	160
Lease adjustment	66	–	–	–	66
At 31 December 2021	**436**	**69**	**154**	**603**	**1,262**
Net book value					
At 31 December 2021	**129**	**47**	**12**	**161**	**349**
At 31 December 2020	998	55	23	132	1,208
At 1 January 2020	994	70	20	98	1,182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. PROPERTY, PLANT AND EQUIPMENT CONTINUED

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

	2021 £000	2020 £000
Buildings	**129**	985
Motor Vehicles	**–**	13
Total right of use assets	**129**	998

Lease liabilities in relation to right of use assets are disclosed in Note 20. Following the strategic decision to become a remote working organisation during the year, it was decided to exercise in 2022 the break clause in the lease of one of the buildings. The right of use asset has been adjusted accordingly.

14. INVENTORIES

	2021 £000	2020 £000
Raw materials and consumables	**254**	117
Work in progress	**176**	31
	430	148

During the year the Group consumed £1.3 million (2020: £0.6 million) of inventories, of which £1.3 million (2020: £0.6 million) related to continuing operations.

15. TRADE AND OTHER RECEIVABLES

	2021 £000	2020 £000
Trade receivables	**2,054**	1,847
Less: allowance for credit losses	**(198)**	(82)
Trade receivables – net	**1,856**	1,765
Other receivables	**64**	51
Prepayments and accrued income	**1,712**	1,309
	3,632	3,125

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 are reviewed under the probability-weighted assessment under IFRS 9. At 31 December 2021 trade receivables of £0.9 million (2020: £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:

	2021 £000	2020 £000
Up to three months	**873**	888
Three to six months	**–**	95
Over six months	**–**	57
	873	1,040

At 31 December 2021 trade receivables of £0.2 million (2020: £0.1 million) were impaired and provided for in whole or in part. The provision of £0.2 million (2020: £0.1 million) is set against specific customer debts. The ageing of these receivables is as follows:

	2021 £000	2020 £000
Up to three months	**8**	39
Three to six months	**8**	8
Over six months	**182**	35
	198	82

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

	2021 £000	2020 £000
Pounds Sterling	**915**	1,023
US dollars	**808**	335
Euros	**331**	489
	2,054	1,847

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

	2021 £000	2020 £000
At 1 January	**82**	187
Provision for receivable impairment	**112**	(23)
Receivables recovered/(written off) during the year as uncollectable	**4**	(82)
At 31 December	**198**	82

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

	2021 £000	2020 £000
Cash and bank balances	**1,639**	826
Cash and cash equivalents at 31 December	**1,639**	826

The amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2021 £000	2020 £000
Pounds Sterling	**1,108**	539
US dollars	**301**	232
Euros	**230**	55
	1,639	826

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.

16. CASH AND CASH EQUIVALENTS CONTINUED

	2021 £000	2020 £000
A-1	**1,639**	826
Total	**1,639**	826

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

	2021			2020		
	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	**826**	**(8,550)**	**(7,724)**	1,144	(9,550)	(8,406)
Cash flow for the year before financing	**1,814**	**–**	**1,814**	657	–	657
Movement in borrowings in the year	**(1,000)**	**1,000**	**–**	(1,000)	1,000	–
Exchange rate adjustments	**(1)**	**–**	**(1)**	25	–	25
Cash and cash equivalents at 31 December	**1,639**	**(7,550)**	**(5,911)**	826	(8,550)	(7,724)

17. TRADE AND OTHER PAYABLES

	2021 £000	2020 £000
Contract liabilities	**3,141**	2,221
Trade payables	**562**	522
Accruals	**1,872**	1,108
Other taxes and social security costs	**257**	208
	5,832	4,059

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities

	2021 £000	2020 £000
Hardware, software and installation	**163**	217
Support	**1,672**	1,886
	1,835	2,103

The amounts of the Group's trade and other payables are denominated in the following currencies:

	2021 £000	2020 £000
Pounds Sterling	**5,131**	3,391
US dollars	**644**	541
Euros	**57**	127
	5,832	4,059

18. FINANCIAL LIABILITIES – BORROWINGS

	2021 £000	2020 £000
Current:		
Bank loans (secured)	**1,200**	1,800
Non-current:		
Bank loans (secured)	**6,350**	6,750

BANK BORROWING FACILITIES

Borrowing at 31 December 2021 comprised the fully drawn down Revolving Credit Facility of £7.5 million (2020: £8.5 million).

On 13 April 2022, a new term loan facility was signed, refinancing the existing £7.15 million revolving credit facility agreement. The new term loan secures a £7.15 million facility until 30 September 2024, with revised financial covenants and a repayment schedule in place.

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:

	2021	2020
Bank overdraft	**N/A**	N/A
Bank borrowings	**3.64%**	3.58%

The Group had net debt at 31 December 2021 of £5.9 million (2020: £7.7 million).

Net debt comprises:		
Cash and cash equivalents	**1,639**	826
Borrowings	**(7,550)**	(8,550)
Net debt at 31 December	**(5,911)**	(7,724)

19. 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

	2021 Other financial assets at amortised cost £000	2020 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	**1,920**	1,816
Cash and cash equivalents	**1,639**	826
Total	**3,559**	2,642

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

19. FINANCIAL INSTRUMENTS CONTINUED

	2021 Other financial liabilities at amortised cost £000	2020 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	**2,434**	1,775
Borrowings	**7,550**	8,550
Total	**9,984**	10,325

20. LEASE LIABILITIES

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

	2021 £000	2020 £000
Current	**173**	145
Non-current	**44**	1,020
Total	**217**	1,165

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 note 13).

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 (with a break clause in 2022). During the year it was decided to exercise the break clause in 2022, and the lease liability has been adjusted accordingly. The motor vehicle lease ends in 2022.

Future minimum lease payments at 31 December 2021 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 2021							
Lease payments	178	45	–	–	–	–	211
Finance charges	(5)	(1)	–	–	–	–	(6)
Net present values	**173**	**44**	**–**	**–**	**–**	**–**	**217**
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**

Total cash outflow for leases for the year ended 31 December 2021 was £199,000 (2020: £189,000).

There is no material difference between the future cash out flows and the amounts disclosed in the table above.

21. 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.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase from 19 per cent to 25 per cent. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

	Accelerated tax depreciation £000	Intangible assets £000	Losses £000	Other £000	Total £000
Deferred tax liabilities					
At 1 January 2021	90	261	(351)	–	–
Charge/(credit) to profit or loss	(10)	277	(267)	–	–
At 31 December 2021	**80**	**538**	**(618)**	**–**	**–**

	Accelerated tax depreciation £000	Intangible assets £000	Losses £000	Other £000	Total £000
Deferred tax assets					
At 1 January 2021	–	–	–	–	–
Charge to profit or loss	–	–	–	–	–
Exchange adjustment	–	–	–	–	–
At 31 December 2021	**–**	**–**	**–**	**–**	**–**

	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	**–**	**–**	**–**	**–**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

21. DEFERRED TAXATION CONTINUED

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

	2021 £000	2020 £000
Net deferred tax liability at 1 January	–	(246)
Credited in the year	–	245
Exchange Adjustment	–	1
Net deferred tax liability at 31 December	–	–

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

	2021 £000	2020 £000
Deferred tax asset on losses	**4,356**	3,414

22. ORDINARY SHARES

	Number '000s	**2021 £000**	Number '000s	2020 £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 established the following share-based payment schemes:

A) EXECUTIVE SHARE OPTION SCHEMES

The Group established the 2019 Share Option Scheme, which was approved by shareholders on 23 May 2019.

Executive share options are granted from the scheme 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 and subject to stretching performance conditions. Options will ordinarily become exercisable on the fifth anniversary of the date of grant.

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

Date of grant	Exercise price	Exercise period	**2021 Number '000s**	2020 Number '000s
21 June 2019	6.18p	21/06/24 – 20/06/29	**2,877**	6,000

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

	2021 Number '000s	2021 Weighted average exercise price	2020 Number '000s	2020 Weighted average exercise price
Outstanding at beginning of year	**6,000**	**6.18p**	6,000	6.18p
Lapsed during the year	**(3,123)**	**6.18p**	–	–
Outstanding at the end of the year	**2,877**	**6.18p**	6,000	6.18p
Exercisable at the end of the year	**–**	**–**	–	–

The performance measurement date for the outstanding options has passed. 2,876,667 options vested at year end based on achievement of EBITDA and share price performance criteria. 3,123,333 lapsed either from failure to achieve performance conditions or from the impact of leavers.

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:

	2019
Fair value at grant date	2.15p
Share price at grant date	6.18p
Exercise price	6.18p
Expected volatility	72.57%
Expected life	5.00 years
Expected dividends	Nil
Risk-free interest rate	0.62%

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 £53,000 (2020: £12,000) related to equity-settled share-based payment transactions in the income statement in the year.

B) LONG TERM INCENTIVE PLAN (LTIP)

The Group established the LTIP scheme in 2008 and has one remaining holder of options. The LTIP was closed to further grants in 2019.

The options granted under this scheme are nil costs and 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.

22. ORDINARY SHARES CONTINUED

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

Date of grant	Share price at award date	Vesting date	**2021 Number '000s**	2020 Number '000s
03 June 2014	45.1p	03 June 2017	**100**	100

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

	Number '000s	**2021 Weighted average share price at the date of grant**	Number '000s	2020 Weighted average share price at the date of grant
Outstanding at the beginning and end of the year	**100**	**45.1p**	100	45.1p

The options outstanding at 31 December 2021 had a weighted average exercise price of nil pence (2020: nil pence) and a weighted average remaining contractual life of 2.4 years (2019: 3.4 years). All 100,000 options outstanding have vested and are exercisable.

SHARE OWNERSHIP PLAN

At 31 December 2021 the trustee of the Employee Share Ownership Plan (ESOP) held 126,496 shares (2020: 126,496) with a market value of approximately £15,000 (2020: £13,000). The net book value of these shares was £40,000 (2020: £40,000) and was deducted from equity.

23. 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.

24. CASH FLOW GENERATED FROM OPERATING ACTIVITIES

Reconciliation of profit before tax to cash generated from operations:

	2021 £000	2020 £000
Profit before tax	**1,497**	1,095
Depreciation of property, plant and equipment	**160**	234
Amortisation and impairment of development costs	**915**	815
Amortisation and impairment of acquired intangibles	**–**	156
Non-recurring item	**244**	–
Share based payment expense	**53**	12
Finance income	**–**	(1)
Finance costs	**373**	374
Increase in inventories	**(282)**	(8)
(Increase)/decrease in trade and other receivables	**(507)**	343
Increase/(decrease) in trade and other payables	**1,362**	(536)
Cash generated from operations	**3,815**	2,484

25. 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 £0.2 million (2020: £0.1 million). At 31 December 2021 there was no balance outstanding to the scheme (2020: £Nil).

The Group has no unfunded pension liabilities.

26. 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 2021, are provided in the entity financial statements of Pebble Beach Systems Group plc.

The services of Chris Errington, Non-Executive Director appointed 4 May 2021, are provided and invoiced by Kestrel Partners LLP, a company in which he has an ownership interest. During the year ended 31 December 2021, the Company was charged £21k by Kestrel Partners LLP, £3k of which remained unpaid at the year end. The total value of transactions with Kestrel Partners LLP in respect of the provision of Mr Errington's services is shown in the Directors' Remuneration Report.

There are no material related parties other than Group companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

27. POST BALANCE SHEET EVENT

NEW TERM LOAN

At 31 December 2021, the Group's net debt (excluding debt related to leases) was £5.9 million (2020: £7.7 million), comprising net cash of £1.6 million (2020: £0.8 million) and the drawn down RCF from Santander of £7.5 million (2020: £8.5 million).

We maintain a good relationship and regular communication with our bank, who remain very supportive of our strategy to invest in developing our new technology solutions. On 13 April 2022, a new term loan facility was signed, refinancing the existing £7.15 million revolving credit facility agreement. The new term loan secures a £7.15 million facility until 30 September 2024, with revised financial covenants and a repayment schedule consistent with previous years, allowing for investment in new technology solutions.

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021 £000**	2020 £000
Administrative expenses		**(633)**	(556)
Other expenses		**–**	(5,246)
Operating loss		**(633)**	(5,802)
Operating loss is analysed as:			
Adjusted operating loss		**(580)**	(562)
Non-recurring items	E	**–**	(5,246)
Share based payment expense		**(53)**	(12)
Exchange gains credited to the income statement		**–**	18
Finance costs	F	**(399)**	(551)
Finance income	F	**–**	123
Loss before tax		**(1,032)**	(6,230)
Tax	G	**267**	351
Loss for the year attributable to shareholders	P	**(765)**	(5,879)

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 2021

	Note	2021 £000	2020 £000
Assets			
Non-current assets			
Investments in subsidiaries	H	**24,491**	24,491
Deferred tax assets	M	**618**	351
Total non-current assets		**25,109**	24,842
Current assets			
Trade and other receivables	I	**28**	25
Current tax assets	L	**–**	–
Cash and cash equivalents	J	**156**	139
Total current assets		**184**	164
Liabilities			
Current liabilities			
Financial liabilities – borrowings	N	**1,200**	1,800
Trade and other payables	K	**12,517**	12,318
Total current liabilities		**13,717**	14,118
Net current liabilities		**13,533**	13,954
Non-current liabilities			
Financial liabilities – borrowings	N	**6,350**	6,750
Total non-current liabilities		**6,350**	6,750
Net assets		**5,226**	4,138
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	**(7,188)**	(8,276)
Total equity		**5,226**	4,138

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 81 to 97 were approved by the Board of directors on 4 May 2022 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 2021

	Ordinary shares £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Accumulated losses £000	Total equity £000
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
At 1 January 2021	**3,115**	**6,800**	**617**	**1,882**	**(8,276)**	**4,138**
Share based payments: value of employee services	**–**	**–**	**–**	**–**	**53**	**53**
Transactions with owners	**–**	**–**	**–**	**–**	**53**	**53**
Income from shares in Group undertakings	**–**	**–**	**–**	**–**	**1,800**	**1,800**
Loss for the financial year	**–**	**–**	**–**	**–**	**(765)**	**(765)**
At 31 December 2021	**3,115**	**6,800**	**617**	**1,882**	**(7,188)**	**5,226**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Cash flow from operating activities			
Cash used in operations	Q	**(590)**	(453)
Interest paid		**(399)**	(551)
Taxation paid		**–**	–
Net cash used in operating activities		**(989)**	(1,004)
Cash flow from investing activities			
Interest received		**–**	123
New intercompany loans		**2,006**	1,921
Net cash generated from investing activities		**2,006**	2,044
Cash flow from financing activities			
Net cash used in repayment of financing activities		**(1,000)**	(1,000)
Net cash used in financing activities		**(1,000)**	(1,000)
Net increase in cash and cash equivalents		**17**	40
Cash and cash equivalents at 1 January		**139**	99
Cash and cash equivalents at 31 December	J	**156**	139

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 UK-adopted international accounting standards. 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. 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 31 December 2023 and that it is appropriate that the Group and the Company prepare accounts on a going concern basis. The Company is reliant on receiving dividends from Pebble Beach Systems Limited to fund its costs and loan repayment commitments.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

B ACCOUNTING POLICIES CONTINUED

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.

FINANCIAL INSTRUMENTS

RECOGNITION AND DERECOGNITION

Financial assets and financial liabilities are recognised when the Company 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 Company's financial liabilities include borrowings, trade and other payables, including amounts owed to Group undertakings. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company 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 Company 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.

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 Company'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 Company first identifying a credit loss event. Instead the Company 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 Company makes use of a simplified approach in accounting for trade and other receivables, including amounts owed by Group undertakings, 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 Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

B ACCOUNTING POLICIES CONTINUED

(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 Company will not be able to collect all amounts due according to the original terms of the receivable. 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 Company 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.

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 annual trend in the Group's 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 and Note H below.

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:

	2021 £000	2020 £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	**40**	16
	40	16
Taxation compliance services	**8**	12
Taxation advisory services	**2**	9
Other non-assurance services	**3**	–
	53	37

A description of the work of the Audit Committee is set out in the Corporate Governance Statement on pages 18 to 24 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:

	2021 £000	2020 £000
Wages and salaries	**389**	213
Social security costs	**45**	23
Other pension costs – defined contribution plans (note 25)	**9**	5
Share-based payments (note O)	**53**	12
	496	253

NOTES TO THE COMPANY FINANCIAL STATEMENTS

D DIRECTORS AND EMPLOYEES CONTINUED

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

	2021 Number	2020 Number
Average monthly number of employees		
General and administrative	**5**	4
	5	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 2021 was 6 (2020: 5).

Key management compensation for the continuing business:

	2021 £000	2020 £000
Short-term employee benefits – including salaries, social security costs and non-monetary benefits	**203**	37
Post-employment benefits – defined contribution pension plans	**8**	2
	211	39

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 25 to 28.

E OPERATING PROFIT

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

	2021 £000	2020 £000
Director and employee costs	**496**	253
Exchange gains credited to the income statement	**–**	(18)

	2021 £000	2020 £000
Other expenses		
Other expenses comprise:		
– Non-recurring items	**–**	5,246

NON-RECURRING ITEMS

These are material items excluded from management's assessment of profit because by their nature they could distort the annual trend in the Group's 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:

	2021 £000	2020 £000
Impairment of investment	**–**	5,246
	–	5,246

F FINANCE EXPENSE – NET

	2021 £000	2020 £000
Finance costs – third party	**292**	334
Finance costs – intercompany	**107**	217
Finance income – intercompany	**–**	(123)
Finance expense – net	**399**	428

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

Finance income is derived from interest received on intercompany loans.

G INCOME TAX CHARGE

A) ANALYSIS OF THE TAX CHARGE IN THE YEAR

	2021 £000	2020 £000
Current tax		
Foreign tax – current year	**–**	–
Total current tax	**–**	–
Deferred tax		
UK corporation tax	**(267)**	(351)
Total deferred tax	**(267)**	(351)
Total taxation	**(267)**	(351)

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:

	2021 £000	2020 £000
Loss before tax on continuing operations	**(1,032)**	(6,230)
Tax at the UK corporation tax rate of 19.00% (2020: 19.00%)	**(196)**	(1,184)
Permanent differences	**2**	999
Current year losses not recognised	**76**	(166)
Foreign tax	**–**	–
Effect of changes in UK tax rate	**(148)**	–
Total taxation	**(267)**	(351)

H INVESTMENTS IN SUBSIDIARIES

	Investments in subsidiaries' unlisted shares £000
Cost	
At 1 January 2021 and 31 December 2021	**41,375**
Provision for impairment	
At 1 January 2021 and 31 December 2021	**16,884**
Net book value	
At 31 December 2020 and 31 December 2021	**24,491**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

H INVESTMENTS IN SUBSIDIARIES CONTINUED

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. The valuation of investment in subsidiaries has not changed during the year and is considered to be fair and does not require impairment. £14.9 million of the total is the carrying value of the trading part of the group, headed by Pebble Beach Systems Ltd. The value of this business was assessed on a fair value less cost of disposal basis. The Board has considered these valuations and concluded that no impairment is required. The remaining investment value relates to Legacy Broadcast Group Holdings Limited and its subsidiaries, which are non-trading. The valuation equates to the net asset value of the Legacy group of companies and the Board have therefore concluded that there is no impairment.

I TRADE AND OTHER RECEIVABLES

	2021 £000	2020 £000
Prepayments and accrued income	**28**	25
	28	25

J CASH AND CASH EQUIVALENTS

	2021 £000	2020 £000
Cash and bank balances	**156**	139
Cash and cash equivalents at 31 December	**156**	139

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.

	2021 £000	2020 £000
Credit rating (S&P)		
A-1	**156**	139
Total	**156**	139

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

	2021			2020		
	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	**139**	**(8,550)**	**(8,411)**	99	(9,550)	(9,451)
Cash flow for the year	**1,017**	**–**	**1,017**	1,040	–	1,040
Movement in borrowings in the year	**(1,000)**	**1,000**	**–**	(1,000)	1,000	–
Cash and cash equivalents at 31 December	**156**	**(7,550)**	**(7,394)**	139	(8,550)	(8,411)

K TRADE AND OTHER PAYABLES

	2021 £000	2020 £000
Trade creditors	**43**	68
Amounts owed to Group undertakings	**12,075**	11,869
Accruals and deferred income	**399**	381
	12,517	12,318

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. £9,630,000 (2020: £9,630,000) attracts no interest and £2,445,000 (2020: £2,239,000) attracts interest at 3.50% plus LIBOR (2020: 2.50% plus LIBOR).

L CURRENT TAX LIABILITIES

	2021 £000	2020 £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.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase from 19 per cent to 25 per cent. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

	Accelerated tax depreciation £000	Losses £000	Other £000	Total £000
Deferred tax assets				
At 1 January 2021	–	351	–	351
Credit to profit or loss	–	267	–	267
At 31 December 2021	**–**	**618**	**–**	**618**

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

	2021 £000	2020 £000
Deferred tax asset on losses	**1,690**	1,204
	1,690	1,204

N BANK LOANS

	2021 £000	2020 £000
Current:		
Bank loans (secured)	**1,200**	1,800
Non-current:		
Bank loans (secured)	**6,350**	6,750

Further information about these facilities is given in note 18 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 of the Group financial statements).

FINANCIAL INSTRUMENTS BY CATEGORY

	2021 Other financial assets at amortised cost £000	2020 Other financial assets at amortised cost £000
Assets as per statement of financial position at 31 December		
Cash and cash equivalents	**156**	139
Total	**156**	139

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

N BANK LOANS CONTINUED

	2021 Other financial liabilities at amortised cost £000	2020 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	**12,517**	12,318
Borrowings	**7,550**	8,550
Total	**20,067**	20,868

O CALLED UP SHARE CAPITAL

	Number '000s	2021 £000	Number '000s	2020 £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 Company has established the following share-based payment schemes:

A) EXECUTIVE SHARE OPTION SCHEMES

The Group established the 2019 Share Option Scheme, which was approved by shareholders on 23 May 2019.

Executive share options are granted from the scheme 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 and subject to stretching performance conditions. Options will ordinarily become exercisable on the fifth anniversary of the date of grant.

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

Date of grant	Exercise price	Exercise period	2021 Number '000s	2020 Number '000s
21 June 2019	6.18p	21/06/24 – 20/06/29	**2,877**	6,000

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

	Number '000s	2021 Weighted average exercise price	Number '000s	2020 Weighted average exercise price
Outstanding at beginning of year	**6,000**	**6.18p**	6,000	6.18p
Lapsed during the year	**(3,123)**	**6.18p**	–	–
Outstanding at the end of the year	**2,877**	**6.18p**	6,000	6.18p
Exercisable at the end of the year	**–**	**–**	–	–

The performance measurement date for the outstanding options has passed. 2,876,667 options vested at year end based on achievement of EBITDA and share price performance criteria. 3,123,333 lapsed either from failure to achieve performance conditions or from the impact of leavers.

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:

	2019
Fair value at grant date	2.15p
Share price at grant date	6.18p
Exercise price	6.18p
Expected volatility	72.57%
Expected life	5.00 years
Expected dividends	Nil
Risk-free interest rate	0.62%

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 Company recognised a total charge of £53,000 (2020: £12,000) related to equity-settled share-based payment transactions in the income statement in the year.

B) LONG TERM INCENTIVE PLAN (LTIP)

The Company established the LTIP scheme in 2008 and has one remaining holder of options. The LTIP was closed to further grants in 2019.

The options granted under this scheme are nil costs and 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.

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

Date of grant	Share price at award date	Vesting date	**2021 Number '000s**	2020 Number '000s
03 June 2014	45.1p	03 June 2017	**100**	100

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

	Number '000s	**2021 Weighted average share price at the date of grant**	Number '000s	2020 Weighted average share price at the date of grant
Outstanding at the beginning and end of the year	**100**	**45.1p**	100	45.1p

The options outstanding at 31 December 2021 had a weighted average exercise price of nil pence (2020: nil pence) and a weighted average remaining contractual life of 2.4 years (2019: 3.4 years). All 100,000 options outstanding have vested and are exercisable.

SHARE OWNERSHIP PLAN

At 31 December 2021 the trustee of the Employee Share Ownership Plan (ESOP) held 126,496 shares (2020: 126,496) with a market value of approximately £15,000 (2020: £13,000). The net book value of these shares was £40,000 (2020: £40,000) and was deducted from equity.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

P RESERVES

	Ordinary shares £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Accumulated losses £000
At 1 January 2021	3,115	6,800	617	1,882	(8,276)
Share based payments: value of employee services	–	–	–	–	53
Income from shares in Group undertakings	–	–	–	–	1,800
Loss for the financial year	–	–	–	–	(765)
At 31 December 2021	**3,115**	**6,800**	**617**	**1,882**	**(7,188)**

Q CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of loss before tax to cash used in operations.

	2021 £000	2020 £000
Loss before tax	**(1,032)**	(6,230)
Impairment of investment	**–**	5,246
Share-based payment expense	**53**	12
Finance income	**–**	(123)
Finance costs	**399**	551
(Increase)/decrease in trade and other receivables	**(3)**	7
(Decrease)/increase in trade and other payables	**(7)**	84
Cash used in operations	**(590)**	(453)

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 2021, there was £7.5 million of bank borrowings outstanding (2020: £8.5 million).

The Company has no capital expenditure contracted for but not provided at 31 December 2021 (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%	Dormant Company**	UK	Unit 12, Horizon Business Village, 1 Brooklands Road, Weybridge, Surrey KT13 0TJ, England
Legacy Broadcast International Limited	100%	Dormant 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 2021

Holding size range	Number of shareholders	Percentage of total shareholders	Number of shares '000s	Percentage of issued share capital
0–1,000	3,458	59.71	1,516	1.22
1,001–5,000	1,755	31.13	3,931	3.15
5,001–10,000	259	4.63	1,939	1.56
10,001–100,000	185	3.40	5,587	4.48
Over 100,000	69	1.13	111,630	89.59
	5,726	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

RICHARD LOGAN
Non-Executive Director
Audit Committee Chairman

CHRIS ERRINGTON
Non-Executive Director
Remuneration 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
First Floor
One Valpy
20 Valpy Street
Reading
RG1 1AR

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.