REGISTERED NUMBER: 03507286 (England and Wales)

# ANNUAL REPORT AND

# CONSOLIDATED FINANCIAL STATEMENTS

# OF

# BLACKBIRD PLC

# FOR THE YEAR ENDED

# 31 DECEMBER 2019

BLACKBIRD

# CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

## COMPANY INFORMATION

| | |
|---|---|
| **DIRECTORS:** | I McDonough<br>SB Streater<br>SJ White<br>A Bentley<br>DE Airey<br>DP Main |
| **SECRETARY:** | MC Kay |
| **REGISTERED OFFICE:** | Tuition House<br>27 – 37 St George's Road<br>Wimbledon<br>London<br>SW19 4EU |
| **REGISTERED NUMBER:** | 03507286 (England and Wales) |
| **AUDITORS:** | Moore Kingston Smith LLP<br>Statutory Auditor<br>Chartered Accountants<br>Devonshire House<br>60 Goswell Road<br>London<br>EC1M 7AD |
| **SOLICITORS:** | Blake Morgan<br>6 New Street Square<br>London<br>EC4A 3DJ |
| **NOMINATED ADVISER AND BROKER:** | Allenby Capital Limited<br>5 St Helen's Place<br>London<br>EC3A 6AB |

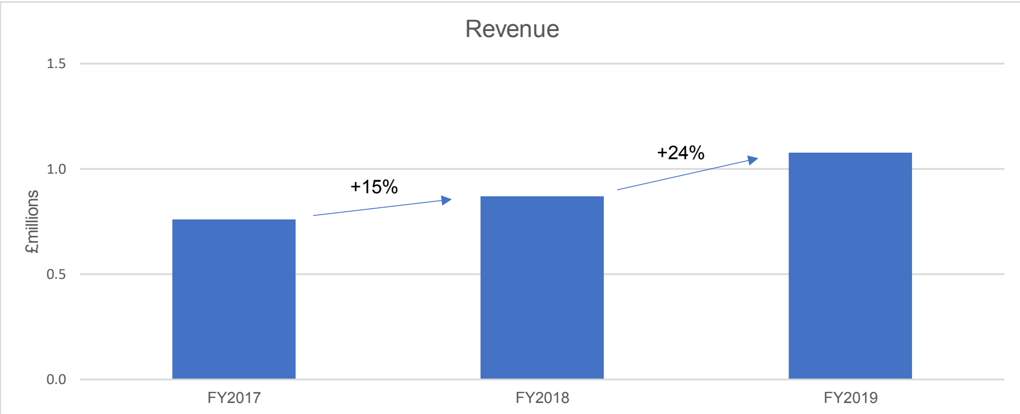
## CHAIRMAN'S STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2019

2019 was an eventful year for the Company as sales momentum behind our growth strategy started to yield results. Even more exciting than the 24% year on year revenue growth was ending the year with contracted but unrecognised revenue up 232% compared to 31 December 2018. This demonstrates our growth momentum. Targeted sales and marketing efforts, focusing on the real competitive advantages of the Blackbird platform, delivered important contract wins from several major broadcasters. Most notably, one of the world's foremost financial news organisations transitioned to the Blackbird platform on a significant multi-year deal. Other notable deals included a major US broadcast network, and the US Department of State. Each of these important contract wins offers a major endorsement of the proprietary technology that powers the Blackbird platform and the credibility of Blackbird's client solutions.

Our strategy is working. We have been strengthening our focus on News and Sports clients, where our objective is to be a key component in our end customers technology stacks (via direct B2B sales) as well as establishing ourselves as a vital component in the technology stacks of solutions providers (Original Equipment Manufacturers or OEMs). OEMs provided real leverage to our sales strategy as they sell our solution as part of their total service. The net effect of this SaaS business model is a significant growth in our average deal size and contract length, growth in our average revenue per client and growth in our repeatable revenue per client.

The Board believes that our successful and oversubscribed net equity fundraising of £5,217,390 towards the end of last year will ensure the ongoing growth of the company by providing the resources to execute against our strategy and to continue to win meaningful contracts.

Our results for the year show the early outcomes of these activities. The Company recorded revenues growth of 24% to £1,077,643 (2018: £870,310). We also grew the size of our North American business, which now comprises 43% of our revenues. Our revenue mix continues to improve and 94% of revenues (2018: 54%) came from infrastructure (37%) and OEM sales (57%).




Our contracted but unrecognised revenue at the end of the year was £1,881,133 up 232% vs £566,104 in 2018. This clearly demonstrates the improved quality of our business and the strength and growth potential of our business as we entered 2020.

Finally, we finished the year with a loss for the year of £2,128,638 (2018: loss of £2,574,618), in a year where good progress was made against our strategy.

The Board believes that the Company is now well positioned to grow and succeed in the large, high-growth, cloud video market. We have put the core organisation, technology and capabilities in place and have started to build growth momentum.

**Consolidated income statement and consolidated statement of financial position**

In the year ended 31 December 2019, the Company recorded revenue of £1,077,643 (2018: £870,310), which represented an increase of 24% year on year. Deferred revenue increased year on year by 28% to £295,221 from £230,361 at 31 December 2018, while contracted but uninvoiced revenue increased year on year by 472% to £1,585,912 from £335,743 as at 31 December 2018.

Operating costs during the year to 31 December 2019 were down 2% to £2,688,821 compared to £2,738,515 in the corresponding period in 2018. This decrease was the result of higher development costs capitalised to support the platform development partially offset by an increase in staff costs from strengthening the management team and higher legal costs to close new deals and change the company name.

The loss before interest, taxation, depreciation and amortisation was £1,771,822 (2018: £1,993,284). The net loss for the year of £2,128,639 compares to a loss of £2,574,618 in 2018.

**Board changes**

In April we welcomed Stephen White to the Board in the newly created Chief Operating and Financial Officer role. Stephen joined us from Comcast's NBC Universal where he spent five years in senior finance roles in their EMEA Networks division. Stephen took over from Jonathan Lees who has left the Company to pursue other opportunities and the Board would like to thank Jonathan for his invaluable service. At the AGM in May, I was delighted to be appointed Chairman taking over from David Main. I would like to thank David, for his valuable contribution as Chairman over the past three years. David continues to serve on the Board and we continue to benefit from his vast experience.

In May 2019 the Company welcomed Dawn Airey as a new Non-Executive Director to the Board. Dawn has extensive experience in the media and entertainment industry having held senior board positions in several major broadcasters and content businesses. Dawn is also an experienced NED in both public and private companies. Towards the end of the year, the board said goodbye to Jim Irving, who stepped down from his role as Non-Executive Director to concentrate on his own business Fanview. The Board would like to welcome Dawn to the company and to thank Jim for his years of service.

**Blackbird platform development**

The core focus of our development efforts is the continuous improvement of the Blackbird platform to support our infrastructure and OEM strategy. This focus combines improving performance, adding new functionality, increasing the ease of adoption and upgrading the user interface. Integral to this has been the shift of our web applications to JavaScript. JavaScript allows access and use of Blackbird products on virtually any device without configuration. This transition is significant as configuration has been one of the big obstacles to wider adoption of our services. Rolling out JavaScript applications is essential for delivering a successful OEM strategy.

We are committed to maintaining the superiority of our video production codec including working on the next generation of our Blackbird codec. Furthermore, we are ensuring that Blackbird can be integrated with third party functionality such as Artificial Intelligence ("AI") and data-feeds working with market-leading specialists in their field.

**Current trading and outlook**

As noted earlier, we start the year in a strong financial position, with contracted but unrecognised revenue of £1,881,133 at 31 December 2019. £797,373 of this balance relates to revenue to be recognised in 2020, versus a comparative figure of £448,488 at 31 December 2018.

During these testing times with the COVID-19 outbreak, I am also pleased that our platform provides Enterprises with solutions to work remotely. The expansion of our deal with A+E Networks who will double the volume edited through the Blackbird platform will both enable a significant expansion of remote video production capability, and ensure the overall safety of its editors who will now be able to work even more effectively, remotely. We have also secured new deals with Arsenal to assist their team to continue to produce high-quality output from their team working remotely in multiple locations and with Liverpool F.C. for remote video editing and publishing.

Finally, the Board and Management team are confident that with our excellent team in place, we have the platform and strategy to grow our business successfully.

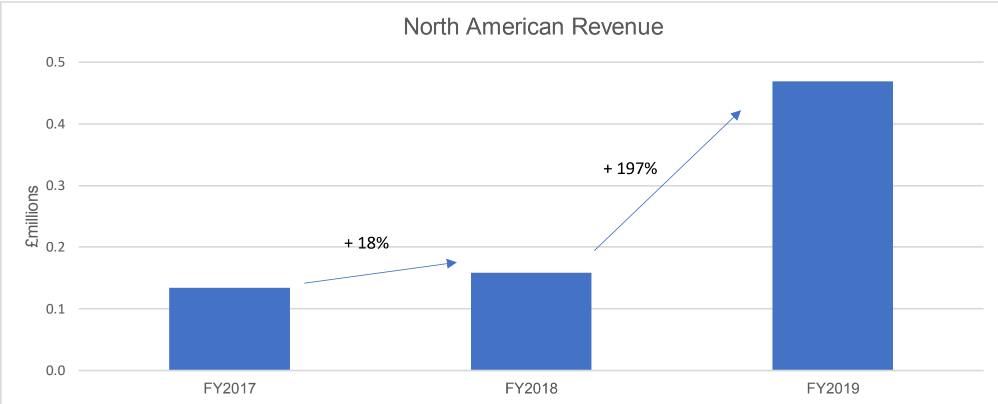
**Andrew Bentley**
**Chairman**

## CHIEF EXECUTIVE'S REVIEW
## FOR THE YEAR ENDED 31 DECEMBER 2019

Even during these uncertain times with the Coronavirus outbreak, I am very happy that as we look back on 2019 and forward to 2020 we have much to be proud about and even more to be excited about.

With a 24% increase in revenues we have for the first time broken through the million pounds level with a total for the year of £1,077,643 (2018: £870,310). In 2019 some of the world's most prestigious and high-profile entities including the US Government and A+E Networks chose Blackbird to improve or even replace workflows provided by long established and much larger competitors.

North America has been a focus of our strategy since I joined the Company and this year happily saw almost a trebling in business there. Revenues are up 197% to £468,714 and now make up almost half of total revenues in the year. This is up from just 18% of revenues last year.



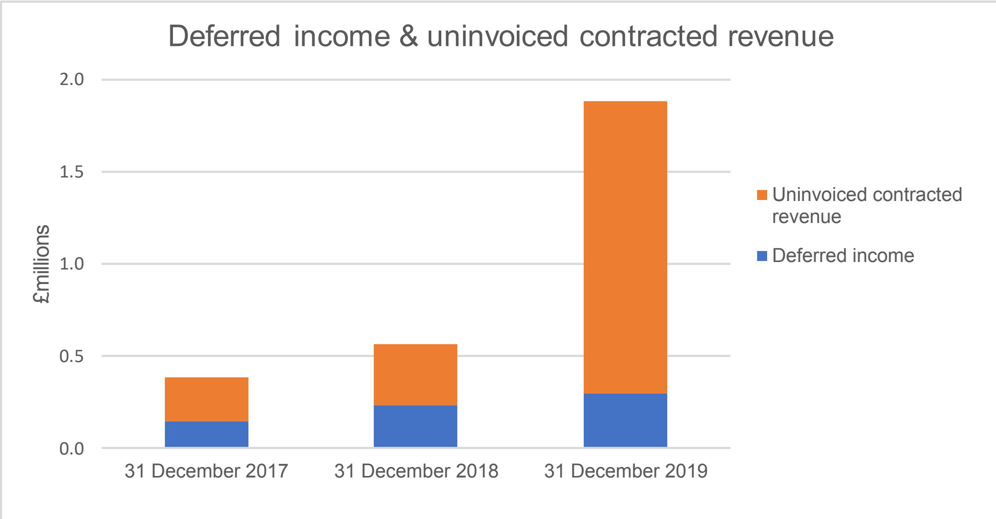

The highlights of a transformational year in the US start with expansion of our TownNews business from 20 local news stations at the end of 2018 to the impressive 49 we have today. TownNews have deployed Blackbird in every single video customer they have and continue to be a very satisfied with the Blackbird workflow. We will continually seek to expand our services with them. As a result, our news business has leapt a massive 285% to £233,547.

We also closed a three-year deal with A+E Networks which at the time was our largest single deal. This deal was a step change for the business not only in scale and length but also in the associated improvements we made to our company and product in terms of security that have made us so much fitter and stronger to make inroads into this US media sector. A+E Networks use us for many different workflows including live clipping to social, where we replaced SnappyTV for assembling Live PD - the most watched TV programme on US TV - and adding value to their enormous archive, where we are enhancing traditional on-premise workflows.

That was followed by us winning another long-term contract with the US State Department in a publicly contested tender, beating other established industry players. The Office of Global Affairs will use Blackbird to turn all of their fast-turnaround news, news conferences and events to social and OTT - and there has been an eventful news cycle for them.

We capped off the year by closing a very exciting long-term deal with a global provider of financial news based in New York. Working through this deal has again driven Blackbird to new standards of speed and functionality. Our ability to integrate seamlessly with AWS (Amazon Web Services) public cloud is increasingly a factor in larger deals.

A significant change I have brought to the business is moving from annual or project deals to multiyear or long-term deals. The fact that our customers have been happy to agree to this demonstrates a great deal of faith in Blackbird and our ability to stay ahead of our competition over a sustained period. It has also meant our contracted but unrecognised revenue is at its highest level ever - up by 232% to £1,881,133 since this time last year.




**Outlook**

While 2019 was a fantastic year for demonstrating the attraction of Blackbird to large scale global customers, the true scale opportunity for our world leading software will be our OEM opportunity - the 'Blackbird inside' model. In April 2020, we announced a partnership with Zixi, the award-winning architect of the Software-Defined Video Platform, and industry leader for live broadcast-quality video over any IP network. The global public clouds have positioned us in this area and we are also in discussions with some other large global infrastructure companies who are very interested to wholesale Blackbird for themselves for strategic reasons.

These strategic reasons are built around the following two tenets.

1. Firstly, Blackbird allows end users to work with their original high-quality content in situ, without the need to upload or download as happens with traditional on-premise systems. This means infrastructure companies can retain this high-quality content within their eco-system and generate further monetisation.

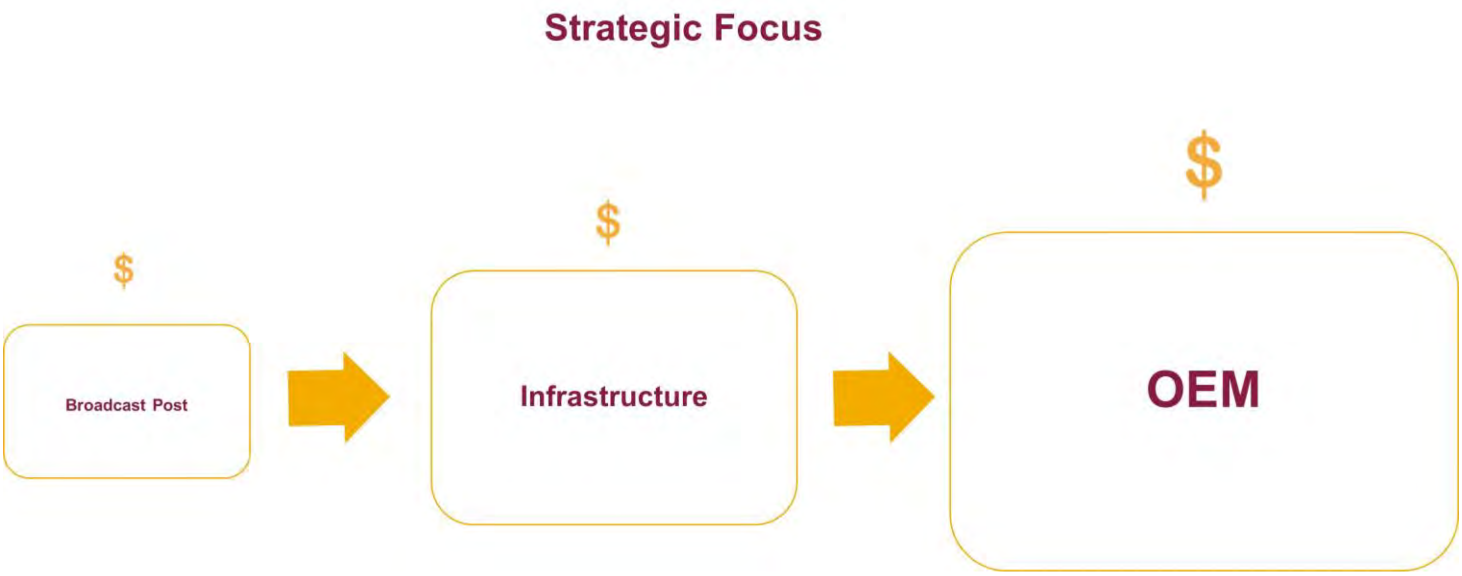
2. Secondly, we provide the leading climate friendly solution. The fact that high resolution content does not need to be uploaded, downloaded or transported in order to be edited means no heavy-duty bandwidth is required; and because end users can work remotely without bespoke hardware, they can reduce travel, so we help to make them energy efficient. Overall, we are an incredibly green technology – and this contributes to the customers' sustainability credentials. This is something that the team are working on in more detail now but will undoubtedly be a factor that grows in importance in the coming years for partners and customers alike.

Finally, in these challenging times with the COVID-19 outbreak, I am delighted that Blackbird has assisted both existing and new customers to have their staff working safely and remotely editing video even at low or variable bandwidths. In the last month, we have been able to aid A+E Networks in enabling their New York based editors to work safely from home. This has resulted in a doubling of capacity and increased revenue from A+E Networks in 2020. Additionally, we have signed new deals with Arsenal helping their team work collaboratively and remotely from multiple locations and turning around high-quality content quickly and cost effectively and with Liverpool F.C. to access their centrally stored file-based archives from any browser or laptop and to continue to engage their global fanbase.

**Ian McDonough**
**Chief Executive Officer**

**Business review**

2019 was a successful year where the Group recorded record revenues and built considerable sales growth momentum. The strategy to focus on larger infrastructure and OEM deals with longer-term licences and recurring revenue and away from low-value project-based work in the Broadcast Post sector is paying off and this will be continued in 2020 with an emphasis on securing deals with Global OEMs to further accelerate revenue growth.




Our key focus for sales growth has been North America, where adoption of cloud-based editing is more prevalent. During 2019 we had a number of high-profile contract wins including A+E Networks, U.S. Department of State and a global financial News service. This led to 2019 annual revenue in the region almost trebling to £468,741 compared to £158,007 in 2018. However, there remains huge growth potential for Blackbird in this market going forwards.

In the UK, we launched the Blackbird Productions Partnership Program ("BP3"), signing up 23 post-production houses in the period. This partnership incentivises post-production houses to resell Blackbird directly to production companies, freeing up internal sales resource and reducing internal support and administration.

PRODUCTIONS • PARTNERSHIP • PROGRAM
BLACKBIRD

The product and development team have continued to evolve the Blackbird platform. This included making the JavaScript editor, which enables Blackbird to be accessed via a web-browser, available to all new customers and enhancing our social media publishing options. Continuing to enhance our platform opens up the addressable market for Blackbird to further potential customers. In 2020, developing Blackbird such that it can be part of a public cloud offering will be key to working with the largest OEMs and achieving scale.

A detailed review of the Group's financial performance during the year ended 31 December 2019 and an outlook for the future is provided within the Chairman's statement on page 3 and the Chief Executive's review on page 4.

**Going concern**

The group incurred a loss after tax for the year of £2,128,639 (2018: loss of £2,574,618). During the year the Group built sales momentum with revenue increasing by 24% including a number of large infrastructure deals with high-profile, blue-chip, customers. Revenue from North America, a key market for us, was up 197% in 2019 compared to 2018. The Group intends to build on this direct sales momentum going forwards as well as secure deals with global OEMs who will sell Blackbird to end customers through their internal sales teams. This should accelerate revenue growth. Additionally, the group starts the year with record contracted but unrecognised revenue at £1,881,133, 232% up on the previous year.

In November 2019 Blackbird plc announced a share placing. The primary aim was to strengthen the Balance Sheet to facilitate longer-term deals with new customers. At 31 December 2019 the Group had cash of £7,965,491 (2018: £5,032,087).

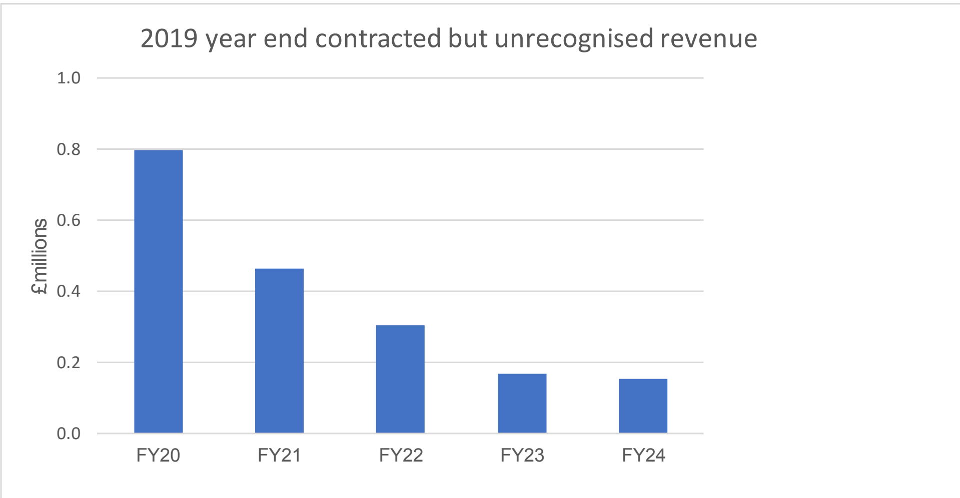
The Directors have prepared a budget for continuing growth in 2020 off a cost base which will continue to be closely managed to minimise losses and cash burn. The COVID-19 outbreak has also led to a change in working practices and opportunities for Blackbird as the platform allows for safe working remotely as evidenced by the recent expansion with A+E Networks and signing of a new deal with Arsenal. As a result, the Directors believe the business is operationally capable of meeting its obligations as they fall due and are confident that they have plans in place to ensure the continuity of the business for at least twelve months.

Therefore, the Directors consider that the preparation of the Group financial statements on the going concern basis is appropriate.

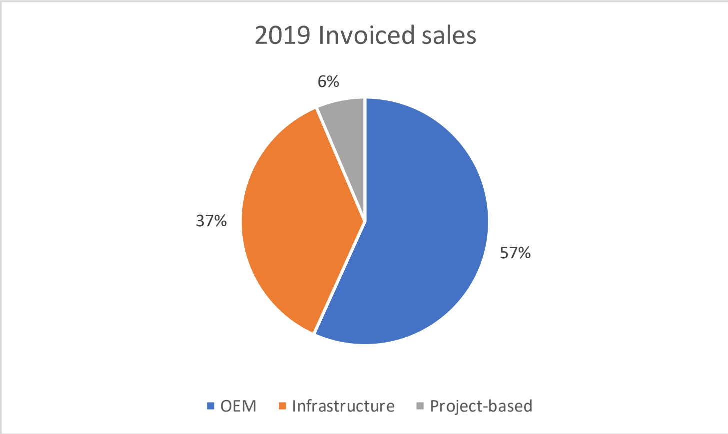
**Key Performance Indicators**

Revenue for the year was £1,077,643 (2018: 870,310) and the loss for the year was £2,128,638 (2018: £2,574,618). The results are shown in more detail on page 22. The Board is fully focused on its core strategy to drive revenue growth, whilst also maintaining cost control, to enable the business to become cash flow positive as soon as possible. Additionally, the Board uses the following metrics to monitor business performance:

- **Contracted but unrecognised revenue is a key measure of future revenues**
  In 2019, significant progress was made building the future order book and contracted but unrecognised revenue grew by 232% to £1,881,133 at the year end vs £566,104 at the end of 2018. The goal is to grow the proportion of secured sales as a percentage of forecast revenue in order to improve the reliability and accuracy of our forecasts.




- **Percentage of Invoiced Sales from Infrastructure and Original Equipment Manufacturer (“OEM”)**
  Our strategy is focused on driving recurring infrastructure and OEM sales. This sales strategy should result in more predictable, recurring, longer-term subscription-based revenue and larger contract values. Historically revenue was predominantly low value and project-based from a large number of production companies and post houses in the UK broadcast post market. Good progress was made against our strategy during the year. 94% of invoiced sales came from infrastructure and OEM deals in 2019 compared to 54% in 2018.




- **Customer feedback**
  Delivering first-class customer service is key to customer retention. Blackbird started formal customer surveys during the year and conducted 5 with key customers to assess how they perceive us. We value their feedback and follow up accordingly. These surveys will be continued in 2020 on a regular basis.

- **Cash burn**
  Reaching a positive cash flow position is a core goal for the business. Cash burn is reviewed regularly and expenditure is tightly controlled and closely monitored. In 2019 cash burn excluding financing activities was up 6% compared to 2018 at £2,282,387. The increase was in line with Budget and, as previously communicated, was due to strengthening of the management team. The Board expects cash burn to decrease going forwards as revenues increase.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Financial instruments

The Group has a normal level of exposure to price, liquidity and cash flow risks arising from trading activities. The Group has no borrowings and reviews its working capital requirements on a regular basis. The Group's financial instruments comprise trade debtors, trade creditors and cash. The Group has not entered into any derivative or other hedging instruments. The Group's practice has been to finance its operations and expansion through the issue of equity share capital. Financial assets comprise cash at bank and in hand. Financial assets and financial liabilities exclude short-term debtors and creditors. The fair value of the financial assets and financial liabilities are not materially different from their carrying values.

The Group is exposed to currency fluctuations on exchange rates for revenue and expenditure generated internationally. In particular, as North American revenues grow, the Group is exposed to changes in the pound versus US dollar exchange rate. Whilst there is a natural hedge between some US dollar income and expenditure, the Group does not formally hedge against this currency risk since the directors feel that, at current levels of income and expenditure, the risk does not materially affect our working capital position and financial performance. The net impact in 2019 of the value of sterling against the US dollar was negative and represented approximately 0.5% (2018: 0.2%) of invoiced sales.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is one customer that represented more than 10% of revenue in 2019. One bad debt, relating to revenue recognised in prior years, was recorded in the year (see Note 11 to the Accounts on Page 40).

### Capital management

The Board's objectives when managing capital are to safeguard our ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders. The group remains debt free. During the year the Group successfully raised equity

**PRINCIPAL RISKS AND UNCERTAINTIES - continued**

of £5,217,390 from a share placing. The Group spreads its cash balances amongst a number of financial institutions in order to minimise risk and achieve a reasonable rate of return.

**Technology and product risks**

Blackbird is a cloud-based video-editing platform operating in several market sectors. The Group's ability to sell its platform is affected by the rate of adoption of cloud services in each sector, our ability to provide the necessary functionality and interoperability and the customer user experience. The Group needs to continue to innovate and develop the platform in order to meet changing customer demands. Blackbird is dependent on third parties, both Open Source and proprietary, to provide appropriate software and licences.

The adoption of cloud-based media services is significant, and the growth continues to accelerate. This is fuelled by the aggressive investment by, and focus of, leading cloud companies including Amazon Web Services, Microsoft and Google.

The Group's strategic focus allows it to allocate resources on platform developments in the right areas for its targeted customers. We maintain a highly experienced team that allows us to respond rapidly to emerging client needs. We also have a very strong product management team that provide the knowledge bridge between what our customers, and prospective customers, are needing and what is technologically possible to develop and commercialise.

Overall, there are risks related to new product development activities, or upgrades, which may take longer than expected to be market ready and/or the market opportunity for these products may not materialise. We regularly review our product development investment and focus an increasing proportion of our activities against specific customer requirements and commercially viable enhancements to the platform.

**Competitor and market risks**

Competitors and new entrants could succeed in producing superior product offerings on a timelier basis or outperform in the marketing and selling of their products, thereby slowing down the adoption of Blackbird. In addition, competitors and new entrants could react to new market opportunities faster than us, which would result in a loss of sales opportunities. The Group continuously monitors its strategy and market focus. We regularly review the activities of existing and emerging competitors and monitor the emergence of new market opportunities. Through effective market monitoring and building deeper knowledge of our customers and prospective customer needs, we adjust the focus of applications development and commercial activities accordingly.

**Security risks**

The Group protects itself against cyber-attack by addressing known risks, such as published internet vulnerabilities, by installing patches. Periodically we appoint independent contractors to do penetration tests on our platform to ensure that our security and systems are robust. The most recent testing occurred in January 2020. A Certificate of Security Compliance for our Platform was issued on 3 February 2020. The Company also achieved SOC 2 Type 1 compliance on 7 April 2020 demonstrating its commitment to ensure that it has adequate procedures, processes and controls in place.

**Data Protection and General Data Protection Regulation ("GDPR")**

We take very seriously the needs of our stakeholders for data protection. We have implemented processes and procedures to ensure that the Group is in compliance with the General Data Protection Regulation ("GDPR") legislative requirements. This is a continuing process and a GDPR committee normally meets bi-weekly to ensure levels of data and video content is controlled, new relationships assessed, and processes are continually reviewed to protect personal data of all stakeholders.

**Organisational risks**

As a small Group, we have a high proportion of key staff, and the loss of any of these staff would be detrimental to the Group. Creating a productive, respectful working environment, empowering employees, offering career development opportunities and incentivising them with long-term incentive plans are all elements of our staff retention program. We have over time, built a network of organisations that can help the Company to respond to key resourcing challenges effectively.

**Coronavirus**

COVID-19 brings uncertainty to all businesses. In particular for Blackbird:

- As a cloud-based platform the loss of a key service from a supplier, for example internet connectivity, would cause availability issues for our customers and reputational damage.
- There is an inherent risk to the economics of the business sectors that Blackbird operates in as the virus disrupts normal operations and finances. There is also an increased credit risk from existing customers.
- Investment in new technology could be slower as businesses have more immediate areas to prioritise to return to business as usual.
- Whilst the team have moved seamlessly to remote working, if any of our employees become infected with the virus it could be detrimental to the business. This could be exacerbated by the high proportion of key employees as described under Organisational risks above.

Blackbird has disaster recovery and business continuity plans in place to mitigate the above risks as much as is possible. Additionally, as Blackbird offers a remote working solution for businesses, this has led to a surge in customer enquiries as companies look to continue operations with their staff carrying out their functions safely from home.

**ON BEHALF OF THE BOARD:**

**Andrew Bentley**
**Chairman**

24 April 2020

## REPORT OF THE DIRECTORS
## FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report with the consolidated financial statements of the Group for the year ended 31 December 2019.

**PRINCIPAL ACTIVITY**

The principal activity of the Group in the year under review was the commercial exploitation of a cloud video editing platform.

**DIVIDENDS**

No dividends will be declared for the year ended 31 December 2019 (2018: £Nil).

**EVENTS SINCE THE END OF THE YEAR**

The recent Coronavirus outbreak has led to uncertain times for many businesses. The principal risks are highlighted in the Strategic Report on Page 10. However, as Blackbird offers a remote working solution for businesses, this has led to a surge in customer enquiries as companies look to continue operations with their staff carrying out their functions safely from home.

**DIRECTORS AND DIRECTORS' INTERESTS**

The following directors have held office during the period from 1 January 2019 to the date of this report.

I McDonough
SB Streater
SJ White (appointed 2 April 2019)
A Bentley
DE Airey (appointed 23 May 2019)
DP Main
JC Lees (resigned 2 April 2019)
JS Irving (resigned 22 November 2019)

The directors who held office during the financial year had the following interests in the shares of the Company according to the register of directors' interests:

| | Class of share | Interest at end of year | Interest at start of year |
|---|---|---|---|
| SB Streater | Ordinary shares of 0.8 pence | 64,485,714 | 64,485,714 |
| I McDonough | Ordinary shares of 0.8 pence | 6,111,163 | 3,062,862 |
| SJ White | Ordinary shares of 0.8 pence | 214,286 | - |
| A Bentley | Ordinary shares of 0.8 pence | 101,249 | 30,000 |
| DP Main | Ordinary shares of 0.8 pence | 1,107,143 | 1,035,714 |
| DE Airey | Ordinary shares of 0.8 pence | 71,429 | - |
| JC Lees | Ordinary shares of 0.8 pence | - | - |
| JS Irving | Ordinary shares of 0.8 pence | - | - |

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the Company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below:

| | At start of year | Granted | Exercised | Lapsed | At end of year | Exercise price £ | Market price on date of exercise £ | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|---|
| SB Streater | 250,000 | | | | 250,000 | 0.06 | - | 31/03/2020 | 30/03/2027 |
| | 480,000 | | | | 480,000 | 0.0525 | - | 15/09/2021 | 14/09/2028 |
| | | 300,000 | | | 300,000 | 0.0775 | - | 25/06/2022 | 24/09/2029 |
| | | 340,000 | | | 340,000 | 0.16 | - | 19/12/2022 | 18/12/2029 |
| I McDonough | 2,000,000 | | | | 2,000,000 | 0.05375 | - | 15/09/2020 | 14/09/2027 |
| | 400,000 | | | | 400,000 | 0.04 | - | 19/03/2018 | 18/03/2028 |
| | 1,180,000 | | | | 1,180,000 | 0.0525 | - | 15/09/2021 | 14/09/2028 |
| | | 300,000 | | | 300,000 | 0.0775 | - | 25/06/2022 | 24/09/2029 |
| | | 1,250,000 | | | 1,180,000 | 0.16 | - | 19/12/2022 | 18/12/2029 |
| SJ White | | 500,000 | | | 500,000 | 0.0775 | - | 25/06/2022 | 24/09/2029 |
| | | 500,000 | | | 500,000 | 0.16 | - | 19/12/2022 | 18/12/2029 |
| A Bentley | 100,000 | | | | 100,000 | 0.05875 | - | 18/11/2018 | 17/11/2025 |
| | 100,000 | | | | 100,000 | 0.085 | - | 07/06/2019 | 06/06/2026 |
| | 200,000 | | | | 200,000 | 0.06 | - | 31/03/2020 | 30/03/2027 |
| | 120,000 | | | | 120,000 | 0.0525 | - | 15/09/2021 | 14/09/2028 |
| | | 120,000 | | | 120,000 | 0.0775 | | 25/06/2022 | 24/09/2029 |
| | | 120,000 | | | 120,000 | 0.16 | | 19/12/2022 | 18/12/2029 |
| DP Main | 50,000 | | | | 50,000 | 0.16 | - | 05/07/2013 | 04/07/2020 |
| | 50,000 | | | | 50,000 | 0.36 | - | 05/11/2013 | 04/11/2020 |
| | 55,000 | | | | 55,000 | 0.1275 | - | 06/10/2014 | 05/10/2021 |
| | 75,000 | | | | 75,000 | 0.245 | - | 12/05/2015 | 11/05/2022 |
| | 40,000 | | | | 40,000 | 0.26 | - | 20/08/2015 | 19/08/2022 |
| | 50,000 | | | | 50,000 | 0.275 | - | 25/04/2016 | 24/04/2023 |
| | 100,000 | | | | 100,000 | 0.255 | - | 25/07/2016 | 24/07/2023 |
| | 75,000 | | | | 75,000 | 0.215 | - | 25/04/2017 | 24/04/2024 |
| | 100,000 | | | | 100,000 | 0.19 | - | 23/09/2017 | 22/09/2024 |
| | 100,000 | | | | 100,000 | 0.05875 | - | 18/11/2018 | 17/11/2025 |
| | 250,000 | | | | 250,000 | 0.085 | - | 07/06/2019 | 06/06/2026 |
| | 500,000 | | | | 500,000 | 0.06 | - | 31/03/2020 | 30/03/2027 |
| | 120,000 | | | | 120,000 | 0.0525 | - | 15/09/2021 | 14/09/2028 |
| | | 60,000 | | | 60,000 | 0.0775 | | 25/06/2022 | 24/09/2029 |
| | | 60,000 | | | 60,000 | 0.16 | | 19/12/2022 | 18/12/2029 |
| DE Airey | | 250,000 | | | 250,000 | 0.0775 | | 25/06/2022 | 24/09/2029 |
| | | 160,000 | | | 160,000 | 0.16 | | 19/12/2022 | 18/12/2029 |
| JC Lees | 75,000 | | | | 75,000 | 0.215 | - | 25/04/2017 | 24/04/2024 |
| | 25,000 | | | | 25,000 | 0.19 | - | 23/09/2017 | 22/09/2024 |
| | 500,000 | | | | 500,000 | 0.09 | - | 25/06/2018 | 24/06/2025 |
| | 350,000 | | | | 350,000 | 0.05875 | - | 18/11/2018 | 17/11/2025 |
| | 120,000 | | | | 120,000 | 0.085 | - | 07/06/2019 | 06/06/2026 |
| | 250,000 | | | | 250,000 | 0.06 | - | 31/03/2020 | 30/03/2027 |
| | 200,000 | | | | 200,000 | 0.0525 | - | 15/09/2021 | 14/09/2028 |
| JS Irving | 100,000 | | | | 100,000 | 0.05875 | - | 18/11/2018 | 17/11/2025 |
| | 100,000 | | | | 100,000 | 0.085 | - | 07/06/2019 | 06/06/2026 |
| | 200,000 | | | | 200,000 | 0.06 | - | 31/03/2020 | 30/03/2027 |
| | 80,000 | | | | 80,000 | 0.0525 | - | 15/09/2021 | 14/09/2028 |
| | | 60,000 | | | 60,000 | 0.0775 | | 25/06/2022 | 24/09/2029 |

The market price of the shares at the year-end was 17.0p. The highest closing market price during the year was 17.75p and the lowest closing market price was 5.275p.

**DIRECTORS INTERESTS IN CONTRACTS OF SIGNIFICANCE**

There were no contracts of significance to which the Company was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

**SUBSTANTIAL SHAREHOLDERS**

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

SB Streater
I McDonough & family
Miton Group plc
Schroders plc
Hargreave Hale

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

The Group made £nil in charitable donations in the year (2018: £nil).

**AUDIT COMMITTEE**

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

The Committee's mandate is to:

- Monitor the integrity of the financial statements of the Group including its annual statutory accounts interim results.
- Review the accounting policies, treatment of unusual transactions, estimates and judgements, taking into account the views of the external auditors.
- Review and challenge the clarity and completeness of disclosure in the Group's financial reports (both narrative and financial).
- Monitor the adequacy and effectiveness of the Group's internal controls and risk management systems.
- Appraise the content and disclosure within the annual statutory accounts and make recommendations to the Board.
- Oversee the relationship with the external auditors and review their effectiveness, making recommendations to the Board in relation to their appointment, re-appointment or removal and price.
- Communicate to shareholders the extent of the Committee's activities.

Specific actions taken by the Committee since the date of the last Directors' Report include the following:

- A review of the Interim accounts of the Group as at 30 June 2019 and the Annual Report and Statutory Accounts of the Group for the year ended 31 December 2019 giving particular attention to the impact of IFRS16 Leases and updated disclosures in the notes to the accounts in respect of this.
- A review of the development costs' capitalisation and amortisation policies and a post-year end impairment review.
- A review of the disclosures in the Chairman's Statement, Chief Executive's Review and Strategic Report, to ensure that the performance and risks of the Group for the year ended 31 December 2019 are adequately described and reported thereon.
- An assessment of the performance and continuing independence of Moore Kingston Smith LLP as auditors of the Group, approval of the terms of their engagement and their remuneration. On the basis that the Committee conclude that the audit continues to be independent, objective and effective and that the lead partner who has held the position for five years has been replaced in 2017, the Committee recommends that Moore Kingston Smith LLP continue as auditors of the Group for the next financial year. A resolution to reappoint Moore Kingston Smith LLP and give authority to the Directors to determine their remuneration will be submitted to the Shareholders at the AGM.
- A review of the findings of the auditors arising out of the audit of the Group for the year ended 31 December 2019. The Committee can report that there were no significant findings arising from the audit which could have given rise to material misstatements and reclassifications and that there were no significant matters concerning the operation of the accounting and control systems brought to the attention of the Committee.

## REMUNERATION COMMITTEE

The Remuneration Committee comprises David Main (Chairman), Andrew Bentley and Dawn Airey. It is responsible both for setting salary levels and incentive programs at the senior management level, reviewing and approving material changes to salaries and incentive programs across the Group, and awarding Share Options to all employees of the Group. In the period since the last Directors' Report it met eight times. Specific actions taken by the Committee since the date of the last Directors' Report include the following:

- Approval of the employee-wide grant of share options in June 2019
- Approval of the employee-wide grant of share options in December 2019
- Implementation of the Long-Term Incentive Plan approved at the Company's Annual General Meeting on 8 May 2019

## SHARE OPTION SCHEMES

In the 12 months to 31 December 2019, options over ordinary shares of 0.8p in the Company were granted under the Company's Enterprise Management Incentive Share Option Scheme as follows.

| Date granted | No of shares over which options granted | No of Directors, employees, consultants to whom options granted | Exercise price (pence) | Date from which exercisable | Date to which exercisable |
|---|---|---|---|---|---|
| 25 June 2019 | 2,675,000 | 27 | 7.775 | 25 June 2022 | 24 June 2029 |
| 19 December 2019 | 4,600,000 | 28 | 16.000 | 19 December 2022 | 19 December 2029 |

On termination of employment, employees and directors lose their share options unless the Board exercises its discretion to allow an employee or director to retain their share options for a discretionary period. Options are granted to individual employees, consultants and directors. Options vest three years after the date of grant on condition that the recipient is still an employee or director of the Company. The Directors are permitted to determine that options which might otherwise lapse may remain exercisable for a period up to ten years from the date of grant. This confers discretion on the Directors to agree extended dates for exercise of options in certain limited circumstances, where the option-holder would otherwise cease to be eligible to exercise the options, if the Directors consider it to be in the best interests of the Company to do so.

The exercise price for the share options issued was the higher of 1) average closing price for the previous three days prior to the date the options were granted or 2) the closing price for the previous day prior to the date the options were granted.

## CORPORATE SOCIAL RESPONSIBILITY

Blackbird recognises the urgent focus on the societal impact of businesses. We believe that the foundation for effective ESG management is robust and transparent governance and integration of these factors into the way we do business.

This includes alignment with our overall strategy and embedding relevant ESG matters into our culture, practices and product offering so that we can contribute to a just and clean world in which future generations can flourish.

### Environmental

Blackbird is committed to conserving natural resources in all that we do – delivering real, tangible environmental benefits to customers and society. The Blackbird cloud solution provides significant benefits versus alternative solutions.

- **Technology**
  - No new hardware:
    Blackbird works in any browser eliminating the need to buy new bespoke editing hardware and enabling easy scaling with limited infrastructure investment
  - No packaging:
    our software is available digitally in a browser – eliminating the need to send physically boxed products and associated packaging
  - Less travel:
    Blackbird is easy to learn with users trained and supported remotely reducing the need to travel and the associated carbon emissions
    Blackbird enables remote, collaborative editing in the cloud lessening the need to travel to offices and live events

- Less energy:
  the ultra-efficient Blackbird codec enables the publishing and sharing of high-quality video output without the need to upload or download high resolution content resulting in major bandwidth energy efficiencies
  our codec allows for the highly efficient ingress/egress of video content which removes the requirement for energy hungry storage and network infrastructure
  with Blackbird there is no need for high performance desktop workstations and no requirement for graphical processing units - saving on power usage for cooling and performance

- **Corporate**
  - Staff actively engage in the recycling of paper, cardboard, glass, cans and printer cartridges
  - the company operates a tax efficient electric car policy to encourage the use of zero emission vehicles
  - the Cycle to Work Scheme - part of the Government's Green Transport Plan - is actively encouraged which enables employees to save on the cost of a bike and accessories
  - employees use online video conferencing platforms for the vast majority of internal and external meetings to minimise their travel footprint

**Social**

- **Diversity & inclusion**
  - Blackbird is proud to employ staff from different cultures and experiences. We always aim to recruit, develop and retain the most talented people, regardless of their background and make best use of their skills and interests.
  - For customers, Blackbird can be used in a much more inclusive way than competitor products. Blackbird is designed to work effectively across a large range of bandwidths, without the need for additional hardware and is accessible from a browser.

- **Career development**
  - Blackbird is committed to the support of career development for all staff. Our aim is to facilitate personal and professional development enabling employees to achieve their full potential at work.

- **Anti-slavery**
  - Blackbird has a zero-tolerance approach to modern day slavery. We are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery does not take place anywhere in our own business or supply chains.

- **Anti-bribery**
  - Bribery is defined within the Bribery Act 2010 as the giving or receiving of a financial or other advantage in exchange for improperly performing a relevant function or activity. Under no circumstances is the giving, offering, receiving or soliciting of a bribe acceptable and we do not tolerate this in any form across our organisation.

- **Data Security**
  - Blackbird lets you control where your data is stored and who can access it. Our software ensures that you can keep your high-resolution data stored locally or available to authenticated users through the cloud.

- **GDPR compliance**
  - Blackbird is committed to ensuring the protection of all personal information that we hold. We fully recognise our obligations to meet the requirements of GDPR.

**Governance**

*Corporate Governance Statement*

The Board recognises that good corporate governance creates shareholder value and ensures strong attention to all stakeholder interests. This good corporate governance is a fundamental part of creating sustainable medium to long-term growth performance whilst minimising the risks that the Company faces. To that end, the Board has adopted the Quoted Companies Alliance Corporate Governance Code ("**QCA Code**") as its chosen governance code.

The Board has undertaken a review of its current governance practices with reference to the ten principles of the QCA Code, and having regard to the size, culture and complexity of the Company has disclosed in its statement on the Company website how it complies with the Code. Where the Company departs from certain aspects of the Code an explanation of the reasons for doing so are also disclosed.

We will endeavour to evolve our corporate governance arrangements in line with our growth as a Company. The Statement will be updated each year simultaneously with the publication of the Annual Report and Financial Statements.

In accordance with Rule 26 of the AIM Rules the Board has published the Group's corporate governance statement at www.blackbird.video. The Statement has been updated on 24 April 2020.

Blackbird has a structure of regular meetings and committees in place to enable strong governance. These are detailed under the ESG policy on its website.

**STRATEGIC REPORT**

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of its business model and strategy, future developments, key performance indicators and principal risks and uncertainties including reference to financial instruments.

**BOARD AND COMMITTEE COMPOSITION**

The roles, experience and skills of the Directors and secretary are as follows:-

| Director | Role | Experience and Skills |
|---|---|---|
| Andrew Bentley | Non-Executive Chairman (appointed May 2019) and Member of the Audit Committee and Member of the Remuneration Committee. Responsible for the quality of corporate governance. | Relevant sector experience in technology and media, including in the US market. International executive leadership experience. Focus on the quality of corporate governance, company strategy, business development and building partnerships. |
| Dawn Airey | Non-Executive Director (appointed May 2019) | Relevant sector experience in media. International executive leadership experience including in the US market. Focus on strategy and business development. |
| David Main | Non-Executive Director (appointed May 2019), Formerly Chairman (from May 2016 to May 2019), Head of the Audit and Remuneration Committees. | Relevant sector experience in technology, data and media; executive leadership experience across multiple sectors and multiple geographies in both public and private companies. Focus on, strategy and business development including sustainability, capability building, finance and funding. |
| Ian McDonough | Chief Executive Officer (appointed September 2017) | Executive leadership experience in media sector, strong knowledge of international media markets, strong entrepreneurial orientation. Focus on driving growth and corporate value through having the right strategy and supporting execution capabilities. |
| Stephen Streater | R&D Director (appointed May 2016). Formerly Chairman (from October 2015 to May 2016) and Chief Executive Officer (from floating on AIM to October 2015) | Founder, 30 years specializing in the development of video compression and non-linear editing systems, architect of Blackbird Cloud Video Platform; focuses on R&D and product development strategy and execution. Long experience in public markets. |
| Stephen White | Chief Operating & Financial Officer (appointed April 2019). | Member of ICAEW, extensive experience in the media sector, business partnering, maximising shareholder return, M&A. Focus on financial management, corporate governance and executing the company's strategic vision. |
| Martin Kay | Company Secretary since February 2000. | Corporate lawyer and Partner of Blake Morgan LLP, the Company's legal advisers. Martin provides both up-to-date legal and regulatory compliance advice in addition to transactional advice and preparation and review of shareholder communications.<br><br>As an independent external consultant, the Company Secretary attends all shareholders meetings but does not attend meetings of the board and board committees. The Company's Chief Operating & Financial Officer remains responsible for circulating board and board committee papers and setting meeting agendas in consultation with the board and committee chairs and for induction of officers and staff. |

| | | |
|---|---|---|
| | | Martin reports direct to both Stephen White (Chief Operating & Financial Officer) and Andrew Bentley (Chairman) and provides a link with the Company's Nomad and Broker (Allenby Capital) and Registrars (Link Asset Services). |

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements on the same basis.

Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and cash flows of the Group and the Company and the financial performance of the Group for that year. 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 in the preparation of the financial statements the company has complied with IFRS as adopted by the EU, 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Moore Kingston Smith LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

**SJ White Director**
Date: 24 April 2020

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKBIRD PLC

### Opinion

We have audited the financial statements of Blackbird plc (the 'parent company' and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you were:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Key audit matters

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

*Development costs carrying value*

Although the revenues of the company have marginally increased, the company is yet to break even. As a result of this and despite the increase in revenues, we considered there is a continuing risk that the development costs capitalised as intangible assets may not be fully recoverable and may require a provision for impairment. The company had undertaken an impairment review and concluded that no impairment was needed.

*Audit Approach*

We assessed the ability of the Group to fully realise the carrying value of capitalised development costs by generating future revenues, profits and cash flows, in order to determine whether an impairment provision was required.

This included a detailed review of the Group's current working capital model and operating plan, which includes the group's forecast revenue, profit and cash flows, together with a critical assessment of the sales pipeline and growth targets including discussions with the Chief Operating and Financial Officer on the sales strategy and opportunities that underpin the assumptions within the working capital model and operating plan. Additionally, the total costs included in the forecast were reviewed with the Chief Operating and Financial Officer, and both the sensitivity of changes to revenue and costs and its impact on the operating plan was considered and challenged. We also critically assessed the impairment review carried out by the Board to determine whether the Group's conclusion that no impairment was required was appropriate.

**Our application of materiality**

The scope and focus of our audit were influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements both individually and on the financial statements as a whole.

Due to the nature of the Group we considered assets to be the main focus for the readers of the financial statements; accordingly, this consideration influenced our calculation of materiality. Based on our professional judgement, we determined materiality for the Group to be £90,652, based on a percentage of total assets.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group was 50% of materiality, namely £45,326.

We agreed to report to the Audit Committee all audit differences in excess of £4,533, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

**An overview of the scope of our audit**

The scope of our audit of the group and parent company financial statements involved obtaining an understanding of the Group and parent company and its environment, including controls and assessing the risk of material misstatement at the Group and parent company level. The Group is audited by one team, led by the Senior Statutory Auditor. Our approach in respect of key audit matters is set out in the Key Audit Matters section above.

**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.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the 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.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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**

As explained more fully in the directors' responsibilities statement set out on page 17, 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Use of our report**

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

24 April 2020

**Jonathan Sutcliffe (Senior Statutory Auditor)**
for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

## CONSOLIDATED INCOME STATEMENT AND STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

**Consolidated income statement and statements of comprehensive income**

| | Notes | 2019 £ | 2018 £ |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | 2 | 1,077,643 | 870,310 |
| Cost of Sales | | (161,269) | (125,079) |
| **GROSS PROFIT** | | 916,374 | 745,231 |
| Other income | | 625 | - |
| Operating costs | | (2,688,821) | (2,738,515) |
| **EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION AND EMPLOYEE SHARE OPTION COSTS** | | (1,771,822) | (1,993,284) |
| Depreciation | | (93,130) | (44,432) |
| Amortisation | | (267,734) | (544,889) |
| Employee share option costs | 18 | (46,774) | (32,445) |
| | | (407,638) | (621,766) |
| **OPERATING LOSS** | 4 | (2,179,460) | (2,615,050) |
| Net Finance income | 5 | 18,397 | 15,898 |
| **LOSS BEFORE INCOME TAX** | | (2,161,063) | (2,599,152) |
| Income tax | 6 | 32,424 | 24,534 |
| **LOSS FOR THE YEAR** | | (2,128,639) | (2,574,618) |
| Other comprehensive income | | - | - |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | (2,128,639) | (2,574,618) |
| Earnings per share expressed in pence per share | | | |
| Basic – continuing and total operations | 7 | (0.71p) | (1.07p) |
| Fully diluted – continuing and total operations | | (0.71p) | (1.07p) |

**Company statement of comprehensive income**

| | | 2019 £ | 2018 £ |
|---|---|---|---|
| **LOSS FOR THE YEAR** | | (2,128,919) | (2,575,136) |
| Other comprehensive income | | - | - |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | - | (2,128,919) | (2,575,136) |

## CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
## 31 DECEMBER 2019

| | Notes | Group 2019 £ | Group 2018 £ | Company 2019 £ | Company 2018 £ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Intangible assets | 8 | 972,245 | 748,062 | 972,245 | 748,062 |
| Property, plant and equipment | 9 | 391,044 | 32,816 | 391,044 | 32,816 |
| Investments | 10 | - | - | - | 641 |
| | | 1,363,289 | 780,878 | 1,363,289 | 781,519 |
| **CURRENT ASSETS** | | | | | |
| Trade and other receivables | 11 | 503,037 | 301,742 | 503,037 | 306,062 |
| Stock | | 661 | - | 661 | - |
| Current tax assets | | 32,424 | 24,534 | 32,424 | 24,534 |
| Cash and bank balances | | 7,965,491 | 5,032,087 | 7,965,491 | 5,026,622 |
| | | 8,501,613 | 5,358,363 | 8,501,613 | 5,357,218 |
| **TOTAL ASSETS** | | 9,864,902 | 6,139,241 | 9,864,902 | 6,138,737 |
| **EQUITY AND LIABILITES** | | | | | |
| **CAPITAL AND RESERVES** | | | | | |
| Issued share capital | 12 | 2,681,913 | 2,363,890 | 2,681,913 | 2,363,890 |
| Share premium | | 26,371,502 | 21,456,572 | 26,371,502 | 21,456,572 |
| Capital contribution reserve | | 125,000 | 125,000 | 125,000 | 125,000 |
| Retained earnings | | (20,457,091) | (18,375,226) | (20,457,091) | (18,374,946) |
| **TOTAL EQUITY** | | 8,721,324 | 5,570,236 | 8,721,324 | 5,570,516 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Lease and other payables | 13 | 323,135 | - | 323,135 | - |
| | | 323,135 | | 323,135 | |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 13 | 820,443 | 569,005 | 820,443 | 568,221 |
| **TOTAL LIABILITIES** | | 1,143,578 | 569,005 | 1,143,578 | 568,221 |
| **TOTAL EQUITY AND LIABILITIES** | | 9,864,902 | 6,139,241 | 9,864,902 | 6,138,737 |

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the Parent Company is not presented as part of these financial statements. The loss dealt with in the accounts of the Parent Company is £2,128,919 (2018: £2,575,136). There is no other Comprehensive Income in the Parent Company.
The financial statements were approved by the Board of Directors on 24 April 2020 and were signed on its behalf by:

**A Bentley – Director** **SJ White - Director**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | Issued share capital £ | Retained earnings £ | Share premium £ | Capital contribution reserve £ | Total equity £ |
|---|---|---|---|---|---|
| **Balance at 1 January 2018** | 1,443,890 | (15,833,053) | 16,935,301 | 125,000 | 2,671,138 |
| **Changes in equity** | | | | | |
| Issue of share capital | 920,000 | - | 4,830,000 | - | 5,750,000 |
| Share issue expenses | - | - | (308,729) | - | (308,729) |
| Share based payment | - | 32,445 | - | - | 32,445 |
| Total comprehensive income for the year | - | (2,574,618) | - | - | (2,574,618) |
| **Balance at 31 December 2018** | 2,363,890 | (18,375,226) | 21,456,572 | 125,000 | 5,570,236 |
| **Changes in equity** | | | | | |
| Issue of share capital | 318,023 | - | 5,234,945 | - | 5,552,968 |
| Share issue expenses | - | - | (320,015) | - | (320,015) |
| Share based payment | - | 46,774 | - | - | 46,774 |
| Total comprehensive income for the year | - | (2,128,639) | - | - | (2,128,639) |
| **Balance at 31 December 2019** | 2,681,913 | (20,457,091) | 26,371,502 | 125,000 | 8,721,324 |

## COMPANY STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | Issued share capital £ | Retained earnings £ | Share premium £ | Capital contribution reserve £ | Total equity £ |
|---|---|---|---|---|---|
| **Balance at 1 January 2018** | 1,443,890 | (15,832,255) | 16,935,301 | 125,000 | 2,671,936 |
| **Changes in equity** | | | | | |
| Issue of share capital | 920,000 | - | 4,830,000 | - | 5,750,000 |
| Share issue expenses | - | - | (308,729) | - | (308,729) |
| Share based payment | - | 32,445 | - | - | 32,445 |
| Total comprehensive loss for the year | - | (2,575,136) | - | - | (2,575,136) |
| **Balance at 31 December 2018** | 2,363,890 | (18,374,946) | 21,456,572 | 125,000 | 5,570,516 |
| **Changes in equity** | | | | | |
| Issue of share capital | 318,023 | - | 5,234,945 | - | 5,552,968 |
| Share issue expenses | - | - | (320,015) | - | (320,015) |
| Share based payment | - | 46,774 | - | - | 46,774 |
| Total comprehensive loss for the year | - | (2,128,919) | - | - | (2,128,919) |
| **Balance at 31 December 2019** | 2,681,913 | (20,457,091) | 26,371,502 | 125,000 | 8,721,324 |

## CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | Notes | Group 2019 £ | Group 2018 £ | Company 2019 £ | Company 2018 £ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash used in operations | A | (1,870,521) | (1,919,634) | (1,865,056) | (1,918,863) |
| Interest paid on lease liabilities | | (13,449) | - | (13,449) | - |
| Tax received | | 24,534 | 25,268 | 24,534 | 25,268 |
| Net cash from operating activities | | (1,859,436) | (1,894,366) | (1,853,971) | (1,893,595) |
| **Cash flows from investing activities** | | | | | |
| Payments for intangible fixed assets | | (434,167) | (254,856) | (434,167) | (254,856) |
| Payments for property, plant and equipment | | (19,370) | (17,498) | (19,370) | (17,498) |
| Interest received | | 30,586 | 11,036 | 30,586 | 11,036 |
| Net cash from investing activities | | (422,951) | (261,318) | (422,951) | (261,318) |
| **Cash flows from financing activities** | | | | | |
| Share issues (net of expenses) | | 5,271,478 | 5,441,271 | 5,271,478 | 5,441,271 |
| Payment of lease liabilities | | (53,250) | - | (53,250) | - |
| Repayment of finance leases | | (2,437) | (5,849) | (2,437) | (5,849) |
| Net cash from financing activities | | 5,215,791 | 5,435,422 | 5,215,791 | 5,435,422 |
| Increase in cash and cash equivalents | | 2,933,404 | 3,279,738 | 2,938,869 | 3,280,509 |
| Cash and cash equivalents at beginning of year | B | 5,032,087 | 1,752,349 | 5,026,622 | 1,746,113 |
| Cash and cash equivalents at end of year | B | 7,965,491 | 5,032,087 | 7,965,491 | 5,026,622 |

## A. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH (USED IN)/GENERATED FROM OPERATIONS

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £ | 2018 £ | 2019 £ | 2018 £ |
| Loss before income tax | (2,161,063) | (2,599,152) | (2,161,342) | (2,599,670) |
| Depreciation | 93,130 | 44,432 | 93,129 | 44,432 |
| Amortisation charges | 267,734 | 544,889 | 267,734 | 544,889 |
| Employee share option costs | 46,774 | 32,445 | 46,774 | 32,445 |
| Finance income | (18,397) | (15,898) | (18,397) | (15,898) |
| **Earnings before interest, taxation, depreciation and amortisation** | (1,771,822) | (1,993,284) | (1,772,102) | (1,993,802) |
| Movements in working capital: | | | | |
| Decrease in trade and other receivables | (209,845) | (75,785) | (205,527) | (74,452) |
| Increase in trade and other payables | 111,146 | 149,435 | 112,573 | 149,391 |
| **Cash (used in)/generated from operations** | (1,870,521) | (1,919,634) | (1,865,056) | (1,918,863) |

## B. CASH AND CASH EQUIVALENTS

The amounts disclosed in the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these balance sheet amounts:

| | Group | | Company | |
|---|---|---|---|---|
| **Year ended 31 December 2019** | 31/12/19 | 1/1/19 | 31/12/19 | 1/1/19 |
| Cash and cash equivalents | 7,965,491 | 5,032,087 | 7,965,491 | 5,026,622 |
| **Year ended 31 December 2018** | 31/12/18 £ | 1/1/18 £ | 31/12/18 £ | 1/1/18 £ |
| Cash and cash equivalents | 5,032,087 | 1,752,349 | 5,026,622 | 1,746,113 |

1. **ACCOUNTING POLICIES**

**Company information**

Blackbird plc is a public company limited by shares, incorporated in England and Wales. The registered office is Tuition House, 27-37 St George's Road, Wimbledon, London, SW19 4EU.

**Basis of preparation**

The financial statements of the Group and of the Parent Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS. These accounts have been prepared under the historical cost convention.

**Basis of consolidation**

The Group financial statements are consolidated in accordance with IFRS 10. It is established under IFRS10 that Blackbird plc (the parent) controlled the activities of Forbidden Technologies Inc (the subsidiary) up to 17 December 2019 on the basis that the parent was exposed, or had rights, to variable losses or returns from its involvement with the subsidiary up to that date and had the ability to affect those losses or returns through its power over the subsidiary. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Forbidden Technologies Inc was dissolved on 17 December 2019.

**Going concern**

The group incurred a loss after tax for the year of £2,128,639 (2018: loss of £2,574,618). During the year the Group built sales momentum with revenue increasing by 24% including a number of high-profile, blue-chip, customer wins. The Group shifted its sales activity from project-based revenue, from a large number of production companies and post-production houses in the UK broadcast market, to higher-value longer-term infrastructure deals predominantly to customers in the United States of America. Revenue from North America was up 197% in 2019 compared to 2018. The Group intends to build on this direct sales momentum going forwards as well as secure deals with global Owner Equipment Manufacturers who will sell Blackbird to end customers through their internal sales teams. This should accelerate revenue growth.

The recent Coronavirus outbreak has led to uncertain times for many businesses. The principal risks to the company are the potential loss of a key supplier, delays in technology, key staff becoming infected with the virus, increased credit risk from existing customers and the general downturn in the economy. However, as Blackbird offers a remote working solution for businesses, this has led to a surge in customer enquiries as companies look to continue operations with their staff carrying out their functions safely from home.

In November 2019 Blackbird plc conducted a share placing. The primary aim was to strengthen the Balance Sheet to facilitate longer-term deals with new customers. At 31st December 2019 the Group had cash of £7,965,491 (2018: £5,032,087).

The Directors have prepared a budget for continuing growth in 2020 off a cost base which will continue to be closely managed to minimise losses and cash burn. As a result, the Directors believe the business is operationally capable of meeting its obligations as they fall due and are confident that they have plans in place to ensure the continuity of the business for at least twelve months. Therefore, the Directors consider that the preparation of the Group financial statements on the going concern basis is appropriate.

**New and Revised Standards**

**Standards in effect in 2019 adopted by the Group**

- IFRS 16 Leases took effect from 1 January 2019 and has been adopted for the year ended 31 December 2019. The Group has chosen to use the modified retrospective approach, recognising transitional adjustments on the date of initial application (i.e. 1 January 2019) without restatement of the comparative figures. Leases which the group were party to were previously classified as operating leases or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership to the lessee. Under IFRS 16 the Group now recognises right of use assets and lease liabilities for leases other than those for low value assets or for short term leases of 12 months or less.
  Notes 9,11 and 13 give more detail of the effect of the changes, but they have increased assets by £372,575 and increased liabilities by £378,734 with a net decrease in net assets of £6,161.

The application of the other revised Interpretations, Amendments and Annual Improvements has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

**New and Revised Standards (continued)**

**IFRS in issue but not applied in the current financial statements**

The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Group in preparing these financial statements as they are not as yet effective and, in some cases, have not yet been adopted by the EU. The Company intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- IAS 28 (amendments) ‘Investments in Associates and Joint Ventures’
- Revised Conceptual Framework for Financial Reporting

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

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

**Revenue recognition**

The primary source of revenue is in respect of the sale of Cloud-based professional video editing software. The product is sold using a software licensing and delivery model in which the software is licensed on a subscription basis. Performance obligations are satisfied over the life of a licence or event or production on a straight-line basis unless hardware or professional services are provided when the performance obligations are fulfilled on delivery.

For all types of revenue shown in the segmental analysis in Note 2 (page 33) the Group prices these based on agreed contracted fees with the customers. These fees are agreed in advance and are based on the service being provided.

**Segmental reporting**

The Group's products are delivered through an integrated web-based platform and the Board manages the business as a single business segment. In accordance with IFRS 8, information is presented based on the way in which financial information is reported internally to the chief operating decision maker and therefore the directors do not consider it to be meaningful to analyse the loss before tax or the net assets of the Group or the Parent Company further. Information regarding geographical revenues is disclosed in note 2 (page 33) to the financial statements. In addition, revenue segments utilised internally have been disclosed distinguishing between target market and revenue type.

**Property, plant and equipment**

Depreciation is charged using the straight-line method to write off each asset over its estimated useful life.

| | | |
|---|---|---|
| Leasehold improvements | - | over the remaining lease term |
| Fixtures and fittings | - | 2 years |
| Computer equipment & software | - | 2 years |
| Client-facing equipment | - | 2 years |

Property, plant and equipment are stated at purchase cost less accumulated depreciation and any accumulated impairment losses.

**Impairment of assets**

Assets that have an indefinite life are not subject to amortisation but are instead tested annually for impairment and are subject to additional impairment testing if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A review for indicators of impairment is performed annually. An impairment loss is recognised as the amount by which the asset’s carrying amount exceeds its recoverable

**ACCOUNTING POLICIES – continued**

amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment charge is recognised in the income statement in the year in which it occurs. When an impairment loss subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years.

The value of the perpetual licence which has an indefinite life will be tested annually for impairment. At 31 December 2019 no impairment is deemed necessary.

**Financial instruments**

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. All the financial assets and liabilities are held at amortised cost. An equity instrument is any contract that evidences a residual interest in the assets of the Group or the Company after deducting all of its liabilities.

**Cash and cash equivalents**

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at, or close to, their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year.

**Trade and other receivables**

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

**Trade and other payables**

Trade and other payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group. The amounts are unsecured, non-interest bearing and are stated at cost.

**Capital contribution reserve**

The capital contribution is a distributable reserve which was created prior to the Company's flotation.

**Financial liabilities and equity**

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Finance payments associated with financial liabilities are dealt with as part of interest payable and finance lease repayments. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

**Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantively enacted by the balance sheet date.

**ACCOUNTING POLICIES – continued**

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect either the accounting or taxable profit or loss. Deferred tax is determined using tax rates which have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

**Intangible assets**

Expenditure on research is written off in the year in which it is incurred.
Development costs are also charged to the income statement in the year of expenditure except when individual projects satisfy the following criteria:

- the project is clearly defined;
- related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs will be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward. Development costs are carried forward in two categories; development of the underlying infrastructure which is amortised over ten years and development of professional products which are amortised over five years. The periods of amortisation for each of the categories has been calculated to reflect the relative speed of change in technology and market anticipated in each of the categories, and to reflect the periods of enhanced economic benefit to the Group as it moves into its growth phase. Amortisation is charged on a straight-line basis, starting from the date at which the product is available for use.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Leases**

The Group has adopted IFRS16 for the year ended 31 December 2019 and recognised a right of use asset and lease liability for the new Head Office lease contracted during the year. The company chose the option not to recognise right of use assets and lease liabilities for low value and short-term leases which were present at 31 December 2018.

In the comparative period rentals paid under operating leases were charged to the profit and loss account on a straight-line basis over the period of the lease.

Further details of the transition to IFRS 16 can be found under "New and Revised standards" on Page 28.

**Share based payments**

The share option programme allows employees to acquire shares of the Company. The fair value of equity settled through the options is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

**Critical accounting judgements and key sources of estimation and uncertainty**

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the Statement of Financial Position date and the reported amounts of revenues and expenses during the reporting period

**ACCOUNTING POLICIES – continued**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates have been used principally when determining the probable economic benefits to be derived from development expenditure and therefore whether those costs should be capitalised or whether there is subsequent evidence of impairment.

**Carrying value of the intangible asset**

The carrying value of the intangible asset of £972,245 comprises development costs capitalised on the basis described in the accounting policy note on page 31 and a perpetual licence purchased. The development costs are amortised over the periods of enhanced benefit to the Group as it moves into its growth phase, from when the product is made available for use. The Board have conducted an impairment review with a view to identifying any redundancy and to ensure that the intangible asset is recoverable through the profit and loss account within a reasonable time-frame and is fully amortised by the time there are no future economic benefits expected to arise from its use or disposal.

The Board reviewed the working capital model and operating plan containing the Group's forecast revenue, profit and cash flow and assessed the sales pipeline and growth targets and total costs conducting sensitivity analysis where appropriate. As a result of this work the Board concluded that no impairment of the asset is required.

2. **REVENUE RECOGNITION AND SEGMENTAL REPORTING**

The primary source of revenue is in respect of the sale of Cloud-based professional video editing software. The product is sold using a software licensing and delivery model in which the software is licensed on a subscription basis. Performance obligations are satisfied over the life of a licence or event or production on a straight-line basis unless hardware or professional services are provided when the performance obligations are fulfilled on delivery. There are three types of revenue shown in the segmental analysis on page 33. Each type of revenue is recognised as follows:-

Licence and usage fees are recognised according to the period that they relate to. Hardware sales and professional services are recognised on delivery of the goods and services.

**Contract assets**

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Accrued revenue at 1st January | - | 6,324 |
| Invoiced sales (released)/accrued in the year | 21,566 | (6,324) |
| Accrued revenue at 31st December | 21,566 | - |

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

**Contract liabilities**

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Deferred revenue at 1st January | 230,361 | 146,389 |
| Invoiced sales deferred/(recognised) in the year | 64,860 | 83,972 |
| Deferred revenue at 31st December | 295,221 | 230,361 |

The change in the value of contract liabilities is the result of an increase in invoiced sales for 2020 at 31 December 2019

2. **REVENUE RECOGNITION AND SEGMENTAL REPORTING - continued**

compared to those for 2019 at 31 December 2018. As the Group has grown its direct infrastructure sales it has looked to secure licence fees for contractual periods upfront.

The Group operates and is managed as a single business unit. Further information is presented in respect of the geographical areas in which the Group operates. The operations of each of the Group's geographical areas are separately disclosed because of the different economic environments in which they operate but do not constitute separate reportable segments under IFRS 8.

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

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| UK | 483,551 | 603,844 |
| North America | 468,714 | 158,007 |
| Europe | 104,858 | 74,684 |
| Rest of World | 20,520 | 33,775 |
| Total | 1,077,643 | 870,310 |

An analysis of the Group's significant categories of revenue, all of which relate to the Group's sole activity of the commercial exploitation of a Cloud video editing platform, is as follows:

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| News | 233,547 | 60,609 |
| Sport | 359,843 | 290,170 |
| Other Entertainment | 399,188 | 473,465 |
| Other | 85,065 | 46,066 |
| Total | 1,077,643 | 870,310 |

| In addition by revenue type: | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Licence and usage fees | 959,390 | 779,356 |
| Hardware | 107,126 | 33,612 |
| Professional services | 11,127 | 57,342 |
| Total | 1,077,643 | 870,310 |

During the year, sales to one customer accounted for more than 10% of the total turnover. Total sales to this customer amounted to £209,163.

## 3. EMPLOYEES AND DIRECTORS

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Wages and salaries | 1,678,014 | 1,555,964 |
| Social security costs | 188,763 | 176,157 |
| Employers pension contributions | 37,486 | 20,949 |
| | 1,904,263 | 1,753,070 |

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

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Wages and salaries | 1,362,327 | 1,413,127 |
| Social security costs | 154,483 | 159,947 |
| Employers pension contributions | 37,486 | 20,949 |
| | 1,554,296 | 1,594,023 |

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

| | 2019 | 2018 |
|---|---|---|
| Directors | 3 | 3 |
| Research and development | 9 | 6 |
| Sales | 4 | 4 |
| Customer support | 3 | 4 |
| Marketing and product design | 2 | 2 |
| Admin and finance | 1 | 1 |
| | 22 | 20 |

Directors' and key management personnel remuneration

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| I McDonough | 193,993 | 180,266 |
| SB Streater | 156,706 | 129,850 |
| SJ White | 92,161 | - |
| DP Main | 38,325 | 49,161 |
| JC Lees | 33,296 | 171,953 |
| JS Irving | 18,598 | 20,798 |
| A Bentley | 38,175 | 21,860 |
| DE Airey | 12,128 | - |
| | 583,382 | 573,888 |

During the year termination benefits of £0 (2018: £60,341) to key management personnel were expensed. Company pension contributions paid in the year were £12,239 (2018: £7,896). The number of Directors accruing pension benefits in the year were 5 (2018: 4).

## 4. OPERATING LOSS

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

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Operating leases | (23,199) | (65,800) |
| Foreign exchange differences | (12,454) | (1,574) |
| Research and development | (166,547) | (311,332) |
| Auditor's remuneration | (24,720) | (29,192) |
| Auditor's remuneration – non audit – taxation | (2,850) | (1,750) |
| Auditor's remuneration – non audit – all other services | (5,633) | (2,489) |
| **Earnings before interest, taxation, depreciation and amortisation** | (1,771,822) | (1,993,284) |
| Depreciation – owned assets | (93,130) | (44,432) |
| Development costs amortisation | (267,734) | (544,889) |
| Employee share option costs | (46,774) | (32,445) |
| **Operating loss (before interest and taxation)** | (2,179,460) | (2,615,050) |

## 5. NET FINANCE INCOME

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Finance income: | | |
| Deposit account interest | 31,843 | 15,898 |
| Finance costs: | | |
| Interest on lease liability | (13,446) | - |
| Net finance income | 18,397 | 15,898 |

## 6. INCOME TAX

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Current tax: | | |
| Tax credit | 32,424 | 24,534 |
| Total tax credit in income statement | 32,424 | 24,534 |

**Factors affecting the tax charge**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Loss on ordinary activities before tax | (2,161,342) | (2,599,670) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.0% (2018 –19%) | (410,655) | (493,937) |
| Effects of: | | |
| Expenses not deductible for tax | 4,405 | 1,570 |
| Depreciation in excess of capital allowances | 688 | (16) |
| Non-trade interest expense | 2,555 | - |
| UK Tax losses | 411,914 | 443,285 |
| Additional relief for R&D expenditure | (24,014) | (18,171) |
| Timing difference on capitalised development costs | (26,204) | 36,570 |
| Employee share option cost | 8,887 | 6,165 |
| Total income tax | (32,424) | (24,534) |

**Tax effects relating to effects of other comprehensive income**

| | | 2019<br>£ | |
|---|---|---|---|
| | Gross | Tax | Net |
| Employee share option cost | (46,774) | - | (46,774) |
| | (46,774) | - | (46,774) |

| | | 2018 | |
|---|---|---|---|
| | Gross | Tax | Net |
| Employee share option cost | (32,445) | - | (32,445) |
| | (32,445) | - | (32,445) |

UK Tax losses of approximately £18,800,000 (2018: £16,850,000) are available to relieve against future profits of the Company.

6. **INCOME TAX – continued**

| Unrecognised deferred tax assets | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Depreciation in excess of capital allowances | 813 | 125 |
| Tax losses carried forward | 3,572,000 | 2,864,500 |
| | 3,572,831 | 2,864,625 |

2019 unrecognised tax asset is calculated at a rate of 19% (2018: 17%) of UK tax losses.

In accordance with IAS 12 the deferred tax assets have not been recognised due to the uncertainty of the timing of future taxable profits to enable recovery of these assets.

7. **EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding equity shares held by the company's Employee Share Ownership Plan.

| | 2019 | 2018 |
|---|---|---|
| Loss attributable to equity holders of the company (£) | (2,128,638) | (2,574,618) |
| Weighted average number of ordinary shares in issue | 298,013,292 | 241,434,146 |
| Basic earnings per share (pence per share) | (0.71p) | (1.07p) |

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all potential ordinary shares. The company's potential ordinary shares arise from share options. The share options calculation is performed to determine the number of shares that could have been acquired at fair value, based upon the monetary value of the subscription rights attached to the outstanding share options.

| | 2019 | 2018 |
|---|---|---|
| Loss used to determine diluted earnings per share (£) | (2,128,638) | (2,574,618) |
| Weighted average number of ordinary shares in issue | 298,013,292 | 241,434,146 |
| Share options | 25,410,000 | 19,475,000 |
| Weighted average number of ordinary shares used to determine diluted earnings per share | 323,423,292 | 260,909,146 |
| Diluted earnings per share (pence per share) | (0.66p) | (0.99p) |

As can be seen from the above table for both years the potential ordinary shares were anti-dilutive because the company was loss-making. As a result, they are not treated on the face of the Statement of Comprehensive Income as diluting basic earnings per share.

8. **INTANGIBLE ASSETS**

**For the Group and Parent Company**

| | Development costs<br>£ | Licences<br>£ | Totals<br>£ |
|---|---|---|---|
| **COST** | | | |
| At 1st January 2019 | 3,092,367 | 24,000 | 3,116,367 |
| Additions | 425,917 | 66,000 | 491,917 |
| At 31st December 2019 | 3,518,284 | 90,000 | 3,608,284 |
| **AMORTISATION** | | | |
| At 1st January 2019 | 2,368,305 | - | 2,368,305 |
| Amortisation for year | 267,734 | - | 267,734 |
| At 31st December 2019 | 2,636,039 | - | 2,636,039 |
| **NET BOOK VALUE** | | | |
| At 31st December 2019 | 882,245 | 90,000 | 972,245 |
| At 31st December 2018 | 724,062 | 24,000 | 748,062 |

| | Development costs<br>£ | Licences<br>£ | Totals<br>£ |
|---|---|---|---|
| **COST** | | | |
| At 1st January 2018 | 2,861,511 | - | 2,861,511 |
| Additions | 230,586 | 24,000 | 254,856 |
| At 31st December 2018 | 3,092,367 | 24,000 | 3,116,367 |
| **AMORTISATION** | | | |
| At 1st January 2018 | 1,823,416 | - | 1,823,416 |
| Amortisation for year | 544,889 | - | 544,889 |
| At 31st December 2018 | 2,368,305 | - | 2,368,305 |
| **NET BOOK VALUE** | | | |
| At 31st December 2018 | 724,062 | 24,000 | 748,062 |
| At 31st December 2017 | 1,038,095 | - | 1,038,095 |

The company has purchased a perpetual licence to use a third-party's software on its servers. The value of the licence is subject to an annual impairment review.

## 9. PROPERTY, PLANT AND EQUIPMENT

**For the Group and Parent Company**

| | Right of use asset | Leasehold improvements | Fixtures and fittings | Computer Equipment & Software | Client-facing IT equipment | Totals |
|---|---|---|---|---|---|---|
| **COST** | £ | £ | £ | £ | £ | £ |
| At 1 January 2019 | - | 100,338 | 62,175 | 373,927 | 230,095 | 766,535 |
| Additions | 431,988 | - | - | 13,130 | 6,240 | 451,358 |
| Disposals | - | - | - | (2,726) | - | (2,726) |
| At 31 December 2019 | 431,988 | 100,338 | 62,175 | 384,331 | 236,335 | 1,215,167 |
| **DEPRECIATION** | | | | | | |
| At 1 January 2019 | - | 93,215 | 62,175 | 353,280 | 225,049 | 733,719 |
| Charge for year | 59,413 | 7,123 | - | 22,318 | 5,206 | 93,130 |
| Disposals | - | - | - | (2,726) | - | (2,726) |
| At 31 December 2019 | 59,413 | 100,338 | 62,175 | 371,942 | 230,255 | 824,123 |
| **NET BOOK VALUE** | | | | | | |
| At 31 December 2019 | 372,575 | - | - | 12,389 | 6,080 | 391,044 |
| At 31 December 2018 | - | 7,123 | - | 20,647 | 5,046 | 32,816 |

| | Leasehold improvements | Fixtures and fittings | Computer equipment & Software | Client-facing IT equipment | Totals |
|---|---|---|---|---|---|
| **COST** | £ | £ | £ | £ | £ |
| At 1 January 2018 | 100,338 | 62,175 | 357,946 | 228,578 | 749,037 |
| Additions | - | - | 15,981 | 1,517 | 17,498 |
| At 31 December 2018 | 100,338 | 62,175 | 373,927 | 230,095 | 766,535 |
| **DEPRECIATION** | | | | | |
| At 1 January 2018 | 73,147 | 62,175 | 337,282 | 216,683 | 689,287 |
| Charge for year | 20,068 | - | 15,998 | 8,366 | 44,432 |
| At 31 December 2018 | 93,215 | 62,175 | 353,280 | 225,049 | 733,719 |
| **NET BOOK VALUE** | | | | | |
| At 31 December 2018 | 7,123 | - | 20,647 | 5,046 | 32,816 |
| At 31 December 2017 | 27,191 | - | 20,664 | 11,895 | 59,750 |

**Office Building**
During the period the Company entered into a new non-cancellable lease for a period of five years with an option to break after three years. The Company has determined that it is likely to take up the final two years of the lease. The Company has recognised a right-of-use asset and a lease liability of £431,988 at the lease commencement date. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method over the five-year lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted at an estimate of the Company's incremental borrowing rate.

**Finance Leases**
Included in computer equipment were assets under finance leases which had a net book value of £0 (2018: £2,925). Depreciation charged on these assets was £2,925 (2018: £5,848).

**Other leases**
Note 14 details the treatment of short-term and low value leases at 31 December 2018 for which right of use assets and leases liabilities have not been recognised.

10. **INVESTMENTS**
Investments comprised 100% of the share capital of Forbidden Technologies Inc, a company registered in Delaware, USA, for the purposes of acting as sales agent for the Group's products in the Americas. The company had not traded for several years and was dissolved on 17 December 2019. The cost of investment was £641 which was written off on closure of the company.

11. **TRADE AND OTHER RECEIVABLES**

**For the Group**

| Current: | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Trade debtors | 282,976 | 189,678 |
| Less: provision for doubtful receivables | (3,000) | (3,000) |
| Trade debtors net of provision for doubtful receivables | 279,976 | 186,678 |
| Other debtors | 123,357 | 45,766 |
| Accrued income | 23,739 | 4,862 |
| Prepayments | 75,965 | 64,436 |
| | 503,037 | 301,742 |

**For the Parent Company**

| Current: | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Trade debtors | 282,976 | 189,678 |
| Less: provision for doubtful receivables | (3,000) | (3,000) |
| Trade debtors net of provision for doubtful receivables | 279,976 | 186,678 |
| Other debtors | 123,357 | 45,766 |
| Amount owed by group undertaking | - | 4,320 |
| Accrued income | 23,739 | 4,862 |
| Prepayments | 75,965 | 64,436 |
| | 503,037 | 306,062 |

**For the Group and for the Parent Company**

Included in other debtors is a rental deposit of £19,175 (2018: £19,175) which is subject to a charge.

The average credit period on trade sales is 55 days. Standard credit terms are 30 days, with some larger customers on longer terms. Included within trade debtors are balances totalling £111,323 (2018: £10,002) which are beyond agreed credit terms but are not subject to impairment. Cash of £100,344 from the overdue trade debtors at 31 December 2019 has been received post year end. During the year, one specific debt of £7,410, where revenue was recognised in prior years, was deemed irrecoverable and charged against operating expenses. The credit risk on trade receivables is not judged to have increased significantly since initial recognition and therefore the general provision for doubtful receivables has not been increased

## 12. CALLED UP SHARE CAPITAL

| **Called up and fully paid:** | 2019<br>£ | 2018<br>£ |
|---|---|---|
| 335,239,092 ordinary shares of 0.8p each (2018: 295,486,199 ordinary shares of 0.8p each) | 2,681,913 | 2,363,890 |

During the year the Company issued 7,035,000 (2018 – 6,965,000) share options under the terms of the share option schemes. The total share options outstanding as at 31 December 2019 was 25,410,000 (2018: 19,475,000).

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

| | Class of share | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| SB Streater | Ordinary shares of 0.8 pence | 1,370,000 | 730,000 |
| I McDonough | Ordinary shares of 0.8 pence | 5,130,000 | 3,580,000 |
| SJ White | Ordinary shares of 0.8 pence | 1,000,000 | - |
| A Bentley | Ordinary shares of 0.8 pence | 760,000 | 520,000 |
| DP Main | Ordinary shares of 0.8 pence | 1,685,000 | 1,565,000 |
| DE Airey | Ordinary shares of 0.8 pence | 410,000 | - |
| JC Lees | Ordinary shares of 0.8 pence | 1,520,000 | 1,520,000 |
| JS Irving | Ordinary shares of 0.8 pence | 540,000 | 480,000 |

## 13. TRADE AND OTHER PAYABLES

**For the Group**

| Current: | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Trade creditors | 183,918 | 109,149 |
| Social security and other taxes | 56,607 | 55,902 |
| Finance lease | - | 2,437 |
| Lease Liability | 96,850 | - |
| Licence Liability | 16,500 | - |
| Other creditors | 63,364 | 4,301 |
| Deferred income | 295,221 | 230,361 |
| Accruals | 107,983 | 166,855 |
| | 820,443 | 569,005 |

| Non-Current: | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Lease liability | 281,885 | - |
| Licence Liability | 41,250 | - |
| | 323,135 | - |

## 13. TRADE AND OTHER PAYABLES – continued

**For the Parent Company**

| Current: | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Trade creditors | 183,918 | 109,149 |
| Social security and other taxes | 56,607 | 55,902 |
| Finance lease | - | 2,437 |
| Lease Liability | 96,850 | - |
| Licence Liability | 16,500 | - |
| Other creditors | 63,364 | 4,301 |
| Deferred income | 295,221 | 230,361 |
| Accruals | 107,983 | 166,071 |
| | 820,443 | 568,221 |

**TRADE AND OTHER PAYABLES – continued**

| Non-Current: | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Lease liability | 281,885 | - |
| Licence Liability | 41,250 | - |
| | 323,135 | - |

## 14. LEASING AGREEMENTS

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

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| In the next 12 months | 96,850 | 23,045 |
| Between one and five years | 281,884 | - |

Details of the current Head Office building lease can be found in Note 9.

**Short-term leases and leases of low value**
The Company leases its Head Office building. The lease in place at 31 December 2018 expired during the period. The Company elected not to recognise a right-of-use asset or lease liability for this lease due to the short-term nature of the lease. The Company recognised lease payments associated with this lease as an operating expense on a straight-line basis over the remaining lease term and charged £23,199 as an operating expense during the year (2018 £65,800).

At the 31 December 2018 the Company also had a finance lease in place for computer software which was of low value. This lease expired during the period. The Company elected not to recognise a right-of-use asset or lease liability due to the short-term nature and low value of the lease. The full amount of the lease outstanding at 31 December 2018, £2,925, was expensed during the period.

## 15. FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets and liabilities comprise trade debtors, trade creditors, cash and liquid assets.
The Group has not entered into any derivative or other hedging instruments.
The Group's policy is to finance its operation and expansion through the issue of equity share capital.
Financial assets comprise cash at bank and in hand. The fair value of the financial assets and financial liabilities are not materially different from their carrying values.
All of the financial assets and liabilities are held at amortised cost therefore detailed analysis is not required.
Further details of the Board’s assessment of its risks are included in the strategic report on pages 8 to 10.

## 16. RELATED PARTY DISCLOSURES

Fees amounting to £0 (2018: £300) were paid to the wife of Ian McDonough. Sales amounting to £1,275 (2018: £9,965) were invoiced to Fanview Media Ltd in the period when Jim Irving was a director.

## 17. ULTIMATE CONTROLLING PARTY

At 31 December 2019 there was no ultimate controlling party of the Company.

## 18. SHARE-BASED PAYMENT TRANSACTIONS
**For the Group and Parent Company**

The Company believes that share ownership by executive directors and key staff strengthens the link between their personal interests and those of the shareholders. Until 2012 it operated both a tax-advantaged and a non-tax-advantaged share option scheme under which options were granted and remain exercisable. Since 2012 it has operated an Enterprise Management Incentive (EMI) share option scheme under which both tax advantaged and non-tax advantaged options have been granted. For all options, the exercise price is the market value of the share at the date of the grant. Options are granted to individual employees and directors. Options vest three years after the date of grant on condition that the recipient is still an employee or director of the Company. The Directors are permitted to determine that options which might otherwise lapse may remain exercisable for a period up to 10 years from the date of grant. This confers discretion on the Directors to agree extended dates for exercise of options in certain limited circumstances, where the option-holder would otherwise cease to be eligible to exercise the options, if the Directors consider it to be in the best interests of the Company to do so. Options are exercisable within seven years of vesting. All options are equity settled.

| Exercise price (£) | Date granted | Range of dates exercisable | Number of shares for which rights are exercisable at 31/12/2019 | Number of shares for which rights are exercisable at 31/12/2018 |
|---|---|---|---|---|
| **Non-tax advantaged** | | | | |
| 0.24 | 25/08/2009 | 25/08/2012-24/08/2019 | - | 145,000 |
| 0.16 | 05/07/2010 | 05/07/2013-04/07/2020 | 670,000 | 670,000 |
| 0.36 | 05/11/2010 | 05/11/2013-04/11/2020 | 682,431 | 682,431 |
| 0.1275 | 06/10/2011 | 06/10/2014-05/10/2021 | 780,000 | 780,000 |
| **Approved** | | | | |
| 0.24 | 25/08/2009 | 25/08/2012-24/08/2019 | - | 25,000 |
| 0.36 | 05/11/2010 | 05/11/2013-04/11/2020 | 17,569 | 17,569 |
| 0.1275 | 06/10/2011 | 06/10/2014-05/10/2021 | - | - |
| **EMI** | | | | |
| 0.245 | 12/05/2012 | 12/05/2015-11/05/2022 | 540,000 | 540,000 |
| 0.26 | 20/08/2012 | 20/08/2015-19/08/2022 | 285,000 | 285,000 |
| 0.275 | 25/04/2013 | 25/04/2016-24/04/2023 | 325,000 | 325,000 |
| 0.255 | 25/07/2013 | 25/07/2016-24/07/2023 | 1,025,000 | 1,025,000 |
| 0.215 | 25/04/2014 | 25/04/2017-24/04/2024 | 725,000 | 725,000 |
| 0.225 | 19/05/2014 | 19/05/2017-18/05/2024 | - | - |
| 0.19 | 23/09/2014 | 23/09/2017-22/09/2024 | 535,000 | 535,000 |
| 0.0825 | 11/05/2015 | 11/05/2018-10/05/2025 | 190,000 | 240,000 |
| 0.09 | 25/06/2015 | 25/06/2018-24/06/2025 | 500,000 | 500,000 |
| 0.05875 | 18/11/2015 | 18/11/2018-17/11/2025 | 925,000 | 975,000 |
| 0.085 | 07/06/2016 | 07/06/2019-06/06/2026 | 910,000 | 1,010,000 |
| 0.06 | 31/03/2017 | 31/03/2020-30/03/2027 | 2,400,000 | 2,400,000 |
| 0.05375 | 15/09/2017 | 15/09/2020-14/09/2027 | 2,000,000 | 2,250,000 |
| 0.04 | 19/03/2018 | 19/03/2021-18/03/2028 | 1,775,000 | 2,175,000 |
| 0.0525 | 15/09/2018 | 15/09/2021-14/09/2028 | 3,490,000 | 3,570,000 |
| 0.0593 | 31/10/2018 | 31/10/2021-30/10/2028 | 600,000 | 600,000 |
| 0.0775 | 25/06/2019 | 25/06/2022-24/06/2029 | 2,435,000 | - |
| 0.16 | 19/12/2019 | 19/12/2022-24/06/2029 | 4,600,000 | - |

**SHARE-BASED PAYMENT TRANSACTIONS – Continued**

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

| | 2019 Weighted average exercise price (£) | 2019 Number of options | 2018 Weighted average exercise price (£) | 2018 Number of options |
|---|---|---|---|---|
| Outstanding at the beginning of the period | 0.108 | 19,475,000 | 0.134 | 13,630,000 |
| Granted during the period | 0.131 | 7,035,000 | 0.048 | 6,965,000 |
| Forfeited during the period | 0.054 | 730,000 | 0.048 | 850,000 |
| Exercised during the period | 0.078 | 200,000 | - | - |
| Lapsed during the period | 0.24 | 170,000 | 0.085 | 270,000 |
| Outstanding at the end of the period | 0.115 | 25,410,000 | 0.108 | 19,475,000 |
| Exercisable at the end of the period | 0.181 | 8,110,000 | 0.192 | 7,470,000 |

The options outstanding at the year-end have an exercise price in the range of £0.04 to £0.36 and a contractual life of ten years.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes approximation model.

The management estimate for time from grant to exercise is four years, based on the volatility of shares. The contractual life of options in issue is ten years. Management also estimate that 50% of the options will lapse. The expected volatility is based on the daily fluctuation in the share price in the two years preceding the date of grant.

Details of the valuation of the share options granted in the current and prior year are as follows:

| | 2019 | 2018 |
|---|---|---|
| Expected volatility (expressed as % used in the modelling under Black-Scholes model) | 60.08% | 74.77% |
| Option life (expressed as weighted average life used in the modelling under Black-Scholes model) | 4 | 4 |
| Expected dividends | 0% | 0% |
| Risk free interest rate (based on national government bonds) | 0.76% | 1.51% |
| Weighted average fair value of options granted | £0.0547 | £0.0279 |
| Weighted average share price | £0.128175 | £0.048285 |
| Exercise price | £0.131445 | £0.048285 |

**SHARE-BASED PAYMENT TRANSACTIONS – Continued**

**For the Parent Company**

Share options are granted under a service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants. The total (credit)/ expense recognised for the period arising from share-based payments are as follows:

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Equity settled share based (credits)/payments | 46,774 | 32,445 |