ANNUAL REPORT AND FINANCIAL STATEMENTS

OF BLACKBIRD PLC

FOR THE YEAR ENDED

31 DECEMBER 2020

BLACKBIRD

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

COMPANY INFORMATION

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

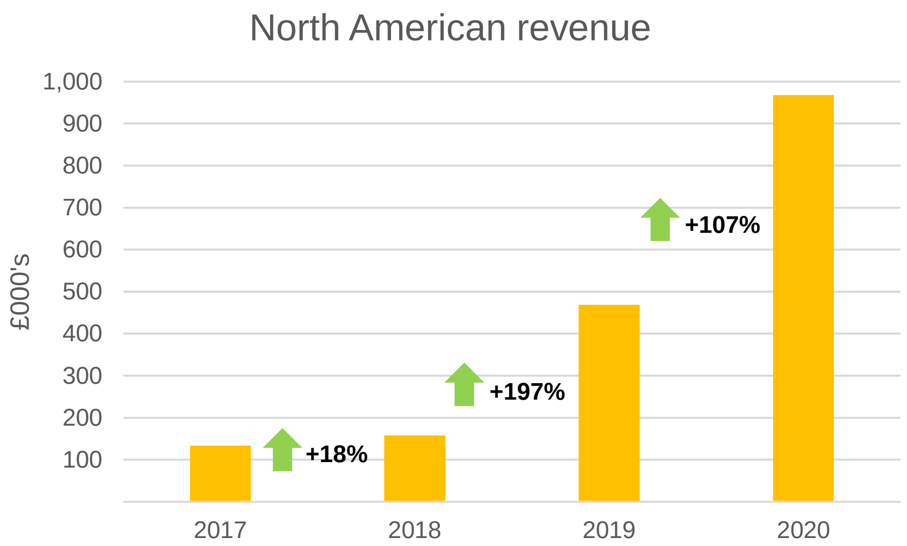
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

2020 was undoubtedly one of the most unusual years in living memory as the world got to grips with the deadly COVID19 disease and we all adjusted to a new way of living. When working remotely became the norm, Blackbird's cloud-based technology found a new resonance within our sector. Two of the key tenets of the Blackbird technology are the ability to work collaboratively and remotely on any connected device, making the transition to home working seamless for our customers, their employees and our own team. With new ways of working, the real advantages of Blackbird have been recognised and celebrated across our sector, resulting in numerous awards for our technology and culminating in the "Emerging Technology Company of the Year" award from the international "Sports Pro OTT Awards".

The year brought unprecedented levels of awareness and enquiries ensuring that we were able to continue to build upon the sales momentum that we enjoyed in 2019. As well as year-on-year revenue growth of 45%, we also grew our contracted but unrecognised revenue to £1,931,131. As we onboarded yet more meaningful global brands to our platform, our OEM strategy of partnering with key major infrastructure players where we access our partners' sales channels as a route to market, resulted in new distribution partnerships with Tata Communications and EditShare (amongst others), which will allow us to significantly broaden our market reach.

As we go forward, we will broaden our strategic focus on News and Sports to include other areas where our unique technology has demonstrable advantages – in particular where we can show not only the efficiency of our technology in terms of infrastructure and timeliness, but also the very real benefits for sustainability and environmental impact. These areas are where Blackbird outperforms all of its competition.

Our results for the year show our growing turnover run rate resulting from our increased market presence and strategic partnerships. The Company recognised revenues of £1,567,109 (2019: £1,077,643). We continued to grow our North American business which doubled to £968,251 in 2020 (2019: £468,714) and now comprises 62% of our revenues. By customer type, our revenue mix remains strong with 59% coming from infrastructure and 41% from OEM sales.



In a year that has been very difficult for many individuals and for many businesses, Blackbird has prospered. The Board believes that the Company continues to be well positioned to exploit its technological advantages and continue to grow in the large, dynamic cloud video market.

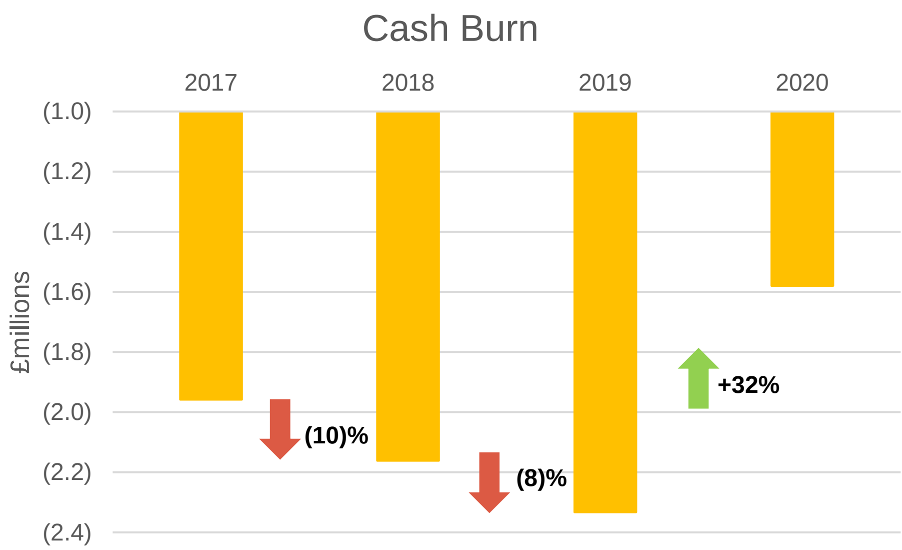
Income statement and statement of financial position

In the year ended 31 December 2020, the Company recorded revenues of £1,567,109 (2019: £1,077,643), which represented an increase of 45% year on year.

Operating costs during the year to 31 December 2020 were £2,819,692 compared to £2,689,101 in the corresponding period in 2019 as we strengthened the team in order to provide operational resilience as we continue to grow.

The loss before interest, taxation, depreciation, amortisation was down 20% to £1,415,921 (2019 loss of £1,771,822). The net loss for the year was £1,880,604 compared to a net loss of £2,128,639 in 2019.

The Company ended the year with a strong balance sheet including £6,545,841 in cash and short-term deposits (31 December 2019: £7,965,491). During the year the Company reduced its cash burn, excluding proceeds from share issues and transfers into short-term deposits, to £1,579,281 from £2,332,607 in 2019, a result of increased revenue and benefits from a shift initiated in 2019 to charge annual licence fees upfront, wherever possible, as we transitioned our strategy away from project-based contracts to longer-term infrastructure and OEM deals.



Board changes

In June 2020 we welcomed John Honeycutt as a new Non-Executive Director to the Board. John is a global Information and Media Technology leader and expert in cloud services, supply chain logistics and cyber security. He has significant international experience in business strategy and operations, mergers and acquisitions, transformation and large-scale project implementation across the media industry. He previously worked for Google, FOX Cable Networks and Liberty Media in roles including Chief Media Technology Officer, Chief Operating Officer as well as Chief of Technology. As Google's Vice President of Telecommunications, Media and Entertainment and Gaming he developed Google Cloud's initial product development and go to market strategies across those sectors. He has recently been appointed Chair of the International Broadcasting Convention council. We are very pleased that John has joined the Blackbird team where he is already making a valuable contribution.

Blackbird platform development

We remain committed to the continuous improvement of the Blackbird platform. To support the Company's growth plans and OEM strategy, the Blackbird platform is being optimised for use on scalable public cloud infrastructure. This is to support its availability as a more tightly integrated part of our OEM partner systems, accessed via a secure single sign-on user experience.

We remain committed to maintaining the superiority of our video codec, and to extending its applicable markets. Additional capabilities of the next generation Blackbird 10 video codec, which is in development, will further consolidate our technological competitive edge across the wider Blackbird platform.

Furthermore, we are ensuring that Blackbird can be integrated with third party functionality such as Artificial Intelligence ("AI") and data-feeds and have commenced initial projects working with market-leading specialists in their fields.

With all of the Blackbird web applications now available in JavaScript implementations, Blackbird products are now available on virtually any device without configuration.

Current trading and outlook

As noted earlier, we start the current year in a strong financial position, with a strong balance sheet and contracted but unrecognised revenue of £1,931,131 as at 31 December 2020 (31 December 2019: £1,881,133). £1.058,327 of this balance relates to revenue to be recognised in 2021.

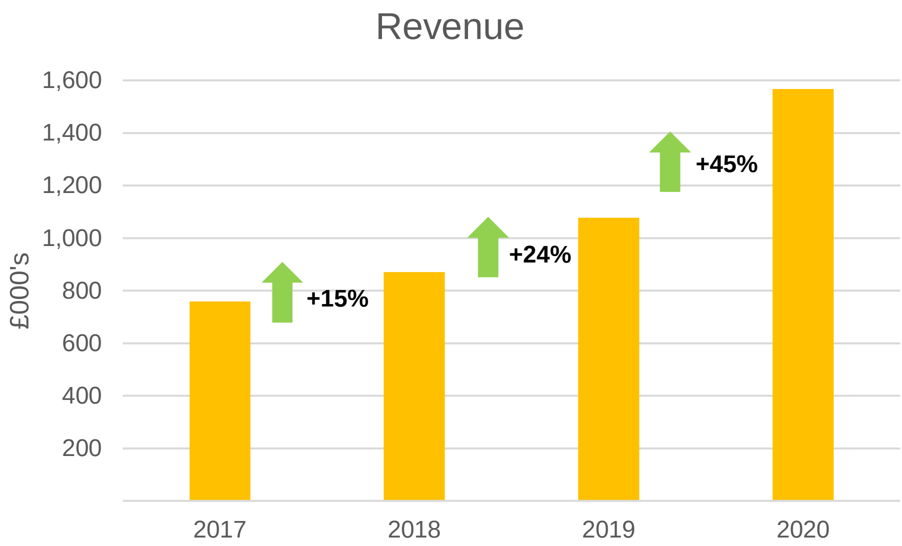
With the prospect of prolonged working from home through 2021, Blackbird remains well positioned to build upon its key proposition and expand into wider OEM partnerships. We will also explore the potential to serve other sectors where we have a compelling advantage and proven capability either directly or through partnership arrangements. The Board remains committed to realising the full potential of our remarkable technology and will continue to test and refine the best ways in which to achieve this.

Finally, the Blackbird brand has markedly grown in awareness and reputation over the last year and the Board would like to thank and recognise Ian and his team for the significant progress that has been made during a very challenging time for all of us. We believe that with our excellent management team in place, we have the platform and strategy to grow our business successfully.

Andrew Bentley
Chairman

The world faced unprecedented challenges in 2020. The ongoing, and hopefully soon to be concluded, Covid crisis has generated a huge number of proof points as to the 'whys' behind our Blackbird technology. Whilst Blackbird was not designed specifically for a pandemic, our 'whys' have always been to offer operational resilience and complete end user freedom. Therefore, it's no surprise that we were able to thrive throughout the crisis, provide uninterrupted support to existing and new customers and start to emerge from the other side of the pandemic a bigger and stronger organisation.

We recorded record revenues of £1,567,109 (2019: £1,077,643) in the 12 months to 31 December 2020, which reflects our highest meaningful annual growth rate. We also brought some of the biggest and most prestigious names in US and EMEA based sports and news on to our roster including the National Hockey League (NHL), Riot Games, Sky News Arabia and Arsenal FC.



There is no doubt the world has changed. We have all now become fully used to operating remotely. Whether this be shopping, eating, socialising or most of all working, we have all been on an accelerated digital journey and become increasingly familiar with a select number of new technologies. There have been some significant winners in this tumultuous period, particularly in technology where businesses were either prepared for such an eventuality or could quickly adapt. On the flip side, real estate, travel and retail have seen some notable casualties.

When it comes to the video sector the ideal production solutions are subscription based, very fast, highly flexible, cost effective, easy to use and provide a top-class user experience. It is important that they have quick on boarding, low up front cost and are accessible to many. It is also increasingly vital that they are carbon efficient and kind to the environment.

When we discuss the 'whys' of resilience and freedom then the reason for Blackbird growing and winning prestigious contracts in such an environment is clear. We deliver on all of the required criteria and are still improving each day to maintain our competitive advantage.

In term of operational highlights, our abilities to respond to specifics of the crisis were key when we started to be used by both Arsenal FC and Liverpool FC to help their home bound production workforce. Both clubs had their staff working from home but needed to keep output high and global fans engaged. Blackbird was able to help them with that, providing access to central storage while their staff were kept safe.

It was a similar situation at our large US based customer A+E Networks. As the crisis engulfed the New York area and US Eastern seaboard, they needed to evacuate their Midtown Manhattan and Connecticut facilities and move all editors safely to their homes. This led to them using Blackbird in a much deeper and more integrated role allowing editing, reviewing and access to content to many new departments resulting in a doubling of their existing order to us for a period of one year. So thrilled are A+E Networks with Blackbird that they have submitted our remote production solution to the 2021 National Emmys for technical achievement.

As we moved into the summer then we were able to provide similar remote solutions to Sky News Arabia who have editing teams in Abu Dhabi and Egypt and required seamless and instant collaboration.

One of the entertainment sectors that has performed best under such conditions is undoubtedly esports. Riot Games, owners of League of Legends, were doing very well. However, due to restrictions, their teams were unable to travel to their central facility in Los Angeles and producers and editors needed to operate from their homes. Blackbird was able to provide that ability – with output from our platform so fast that Riot Games edited it back into their main broadcast stream.

As live sport started to return to play, Blackbird was there for existing customer the National Rugby League (NRL) in Australia who were the first full contact sport back in action. Blackbird was very much a part of that story and allowed their editors and producers to clip and edit live games and produce highlights remotely.

We increased our involvement in the sports industry's return to play with the NHL in the US. As the Stanley Cup playoffs returned, stranded production teams used Blackbird to edit remotely from the safety of their own homes. We now have a multi-year deal with the NHL and have since been moved into a central facility in New York as full production came back on stream. Blackbird was used in February this year on the high-profile Lake Tahoe outdoor broadcasts which commenced with the Colorado Avalanche and the Vegas Golden Knights.

Progress on our OEM Strategy

We are delighted to have significantly developed the stated OEM strategy within 2020 and post period end.

In August we announced an OEM partnership together with global telecommunications giant, Tata Communications. Part of Tata group, Tata Communications serves more than 7,000 corporate customers globally. It delivers more than 5,000 live events every year, of which 750 are remotely produced. It manages distribution for 800+ television channels across the globe with 10,000+ Terabytes of content storage and transfer, reaching over 2 billion sports fans.

We announced the Tata Communications partnership together with our first commercial deal with them, which is a major production partner in India. We have since had a second deal for an international sporting season. We are unable to announce the names of these clients for confidentiality reasons, however we can say that they are both very much in our target segment. Blackbird and Tata Communications are both very active on a global basis to bring new customers in and have a number in negotiation.

We are very active in bringing other strategically aligned OEMs on board and in addition to Tata have also announced EditShare and Zixi.

In the first quarter of 2021 we announced two further partnerships. One with EVS, a globally recognised leader in live video technology for broadcast and new media productions, together with a deal on two major International sporting events, one in the Summer of 2021 and one in the Winter of early 2022. Secondly, we announced a partnership with LiveU, who offer end-to-end contribution, production and distribution solutions for live news and sports.

Outlook

Blackbird has made great progress in the last year, in addition to the sales acceleration and executing against our OEM strategy, we have shown ourselves to be operationally resilient with the team working from home and enabled safe remote working environments for our customers. The security of our customers' content and data is of upmost importance to us and our commitment to this is shown by the team achieving the SOC2 Type II accreditation. This will enable more efficient onboarding of potential customers.

At a strategic level, we will be publishing at least two white papers this year on topics important to our customers and future prospects. The first of these, published on 16 March 2021, addresses sustainability in the TV and Video Production industry (see Strategic report Page 7) and showcases how Blackbird, intrinsically through its elegant design, is many multiples more carbon efficient than competitor workflows enabling customers and partners to, in turn, reduce their own carbon footprint. The second paper, on the Total Cost of Ownership of cloud-based tools, is due to be published later in 2021 and will highlight how Blackbird is a more cost effective overall solution than alternative non-linear editor workflows. Through our upfront transparent licence fees, our customers avoid unexpected expenditure and what has become known as 'Bill Shock'.

The world has changed dramatically over the last year. There has been a huge acceleration to digital and remote workflows and the Cloud Solutions that enable them. With our secure, flexible, scalable platform that is rapidly growing in profile and reputation, I am confident that Blackbird is well positioned for strong future growth.

Ian McDonough
Chief Executive Officer

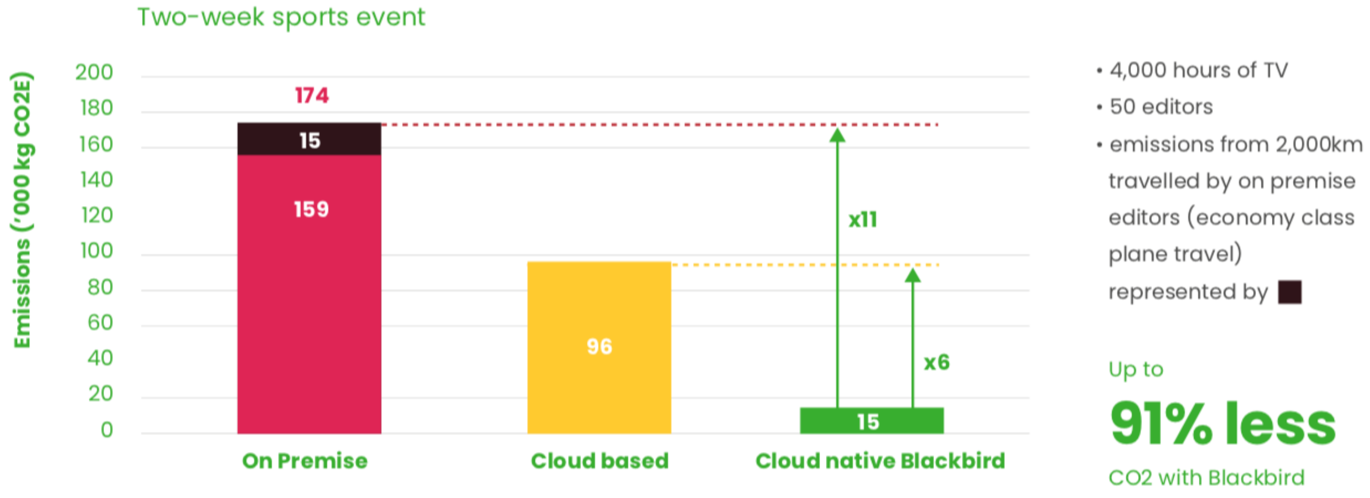
Business review

2020 was a successful year where the Company recorded record revenues and built considerable sales growth momentum. This was despite the challenging environment caused by the pandemic: COVID-19 had a dramatic impact on a couple of our core markets, Live Sport and Post-Production, which were on hiatus for several months in the year. The Company made good progress against its current strategy of focusing on larger infrastructure and OEM deals with longer-term licences and recurring revenue than the previous project-based work. Future development will enable Blackbird to be completely contained within the major public cloud ecosystems such as AWS, Google and Microsoft which will allow potential customers to fully retain their content within this environment. This will also allow the Company to scale efficiently as it grows.

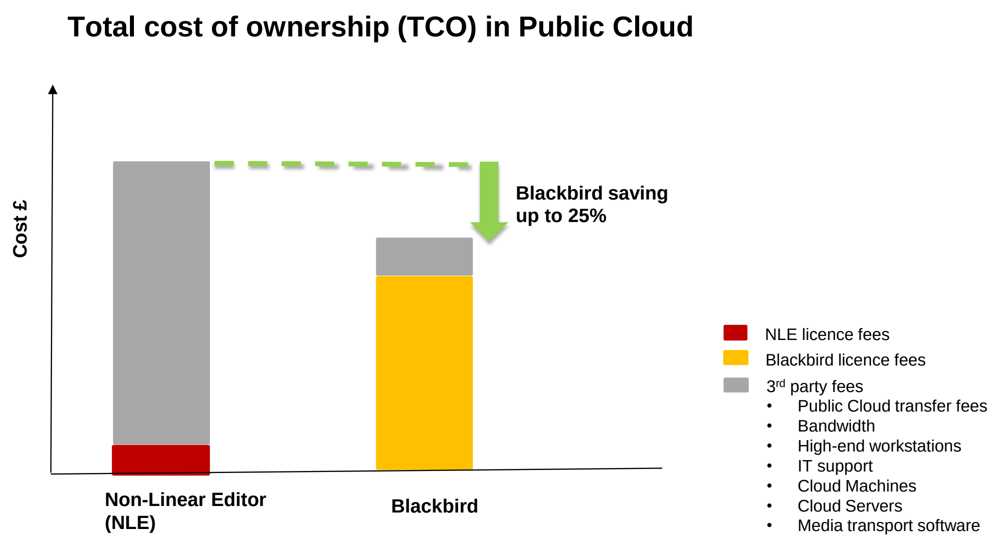
We made good progress in our two core target markets. In the news sector, the Company announced a deal with Sky News Arabia in July to use Blackbird for remote editing in Cairo and Abu Dhabi. We also expanded the Town News contract and benefited from the full year of the deal announced with the New York based Global financial news organisation announced in November 2019. Our ability to generate fast turnaround of content drives our news proposition and has resulted in year-on-year revenue growth of 85% in this sector. In Sport, we achieved a 50% growth in revenue year-on-year despite the hiatus in Live Sport, bringing onboard new prestigious brands as mentioned in the Chief Executive's report.

As part of improving and communicating on our unique selling proposition and competitive positioning, post the year end Blackbird will be publishing two white papers of strategic importance, on Sustainability of Video Production and on Total Cost of Ownership (TCO).

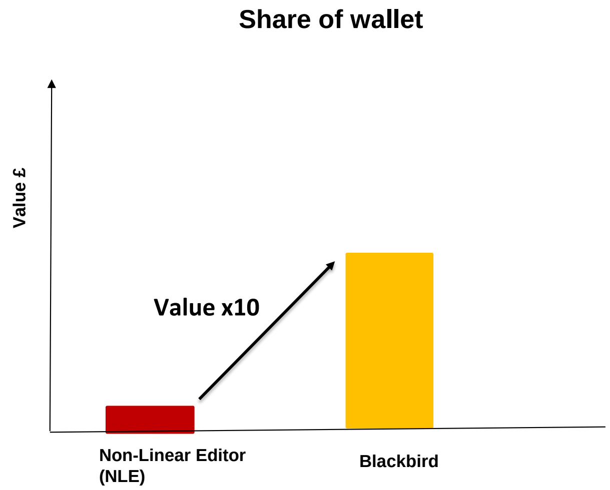
The first of these, "Video shouldn't cost the Earth," was published in March 2021. It highlighted the impact of TV production on the world's climate and how solutions such as Blackbird can help our customers move towards a Net Zero Carbon footprint. Video production and consumption is on the rise and Albert, the BATFA backed environmental organisation, estimates that each hour of TV produced results in the equivalent of 9.2 tonnes of Carbon Dioxide emissions which in turn leads to 27.6m^2 of sea ice loss. Due to its inherent design, Blackbird has lower bandwidth, uses less hardware and reduces travel compared to its competitors in the video editing sector. Blackbird commissioned an external review by Green Element who looked at the Carbon Footprint on a Live sporting event, which allows the most accurate comparison since each workflow is picking up the same video feeds in real time. On a major two week sporting event they estimated that Blackbird would produce 91% less carbon emissions than a traditional on premise video editing solution and 84% less than a hybrid cloud based competitor workflow.



The second white paper on Total Cost of Ownership (TCO), will be released next quarter, highlights how Blackbird is much cheaper, up to 25%, from a TCO perspective vs. alternative cloud solutions. This results from Blackbird not only providing the editing software but also the infrastructure; Blackbird requires lower bandwidth, less hardware, needing less IT support and no additional software to transport the high resolution around the internet due to its proxy video creation.



Additionally, the TCO analysis shows that Blackbird takes a higher 'Share of wallet', with the analysis showing that on average this is ten times higher than competitor non-linear editors.



Blackbird's TCO advantage, together with the ability to work remotely and the environmental benefits provide compelling reasons to choose our platform over competitors.

Blackbird continues to form a vital part of our customer's workflows and extends beyond core video editing. Amongst other use cases, the platform is used by marketing teams for social and PR posts, by legal teams for compliance, for content access, and for internal content review.

The product and development team continue to evolve the Blackbird platform. During the year they developed a prototype of Blackbird working in the public cloud and performed integrations with our OEM partners. Having Blackbird working seamlessly and efficiently in the public cloud is a key focus for 2021 as are further integrations with new key partners as this will allow the business to scale effectively in the future.

A detailed review of the Company's financial performance during the year ended 31 December 2020 and an outlook for the future is provided within the Chairman's statement on page 4 and the Chief Executive's review on page 6.

Going concern

The Company made a loss after tax for the year of £1,880,604 (2019: loss of £2,128,639). During the year, the Company continued to build sales momentum with revenue increasing by 45% year on year despite the challenging environment from COVID-19. Revenue from North America, a key market for us, was up 107% in 2020 compared to 2019. The Company made good progress executing against its strategy and securing Original Equipment Manufacturers (OEM) partnerships which should help accelerate sales growth going forwards. The Company starts the year with contracted but unrecognised revenues of £1,058,327 for 2021 (compared with £797,373 for the equivalent prior period), which is subject to exchange rate fluctuations.

The current Coronavirus outbreak has led to uncertain times for many businesses. In particular, it has hit one of Blackbird's core markets, live sport, adversely affecting revenue from advertising and ticket sales. The Company has shown itself to be operationally resilient working remotely, being able to support customers, secure new business and deploy effectively with the team working away from the office. It has also provided a remote working solution for customers enabling them to continue operations with their staff carrying out their functions safely from home.

The Company significantly reduced its cash burn during the year, excluding proceeds from share issues and funds transferred into short term investments, to £1,579,281 (2019: £2,279,359). This has been brought about by moving customer licence fees more upfront and tight control of the cost base. At 31 December 2020 the Company had £6,545,841 (2019: £7,965,491) held in cash and short-term investments and no debt.

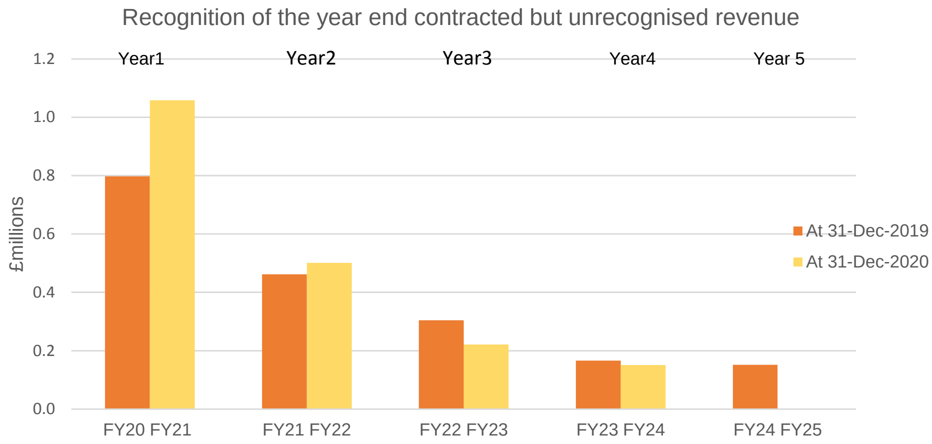
The Directors have prepared a budget for continuing growth seen in 2020 off a cost base which will continue to be closely managed to minimise losses and cash burn. Signing up new OEM partners and working together with existing ones to accelerate sales growth is key to this with the objective of moving the Company towards break even as quickly as possible. Consequently, 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 Director's consider the preparation of the financial statements on a going concern basis is appropriate.

Key Performance Indicators

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. We do monitor and prioritise our revenue growth by customer type, by geography and by sector. Additionally, the Board uses the following metrics to monitor business performance:

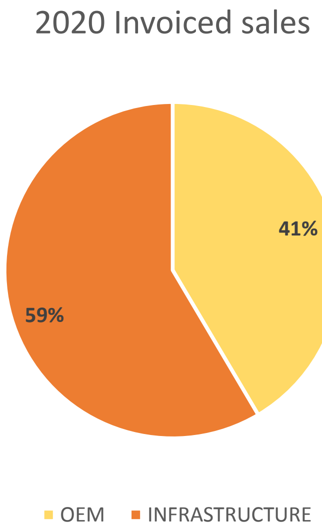
- **Contracted but unrecognised revenue is a key measure of future revenues**
  At the end of 2020, contracted but unrecognised revenue was £1,931,131 (31 December 2019: £1,881,133). During the year, with the uncertainty in the market from the pandemic, in a number of instances we saw a reluctance to commit to longer-term deals which has affected the value of new additions to the order book.



- **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 2020 cash burn, excluding proceeds from share issues and funds placed on short-term deposit, was £1,579,281, a reduction of 32% compared to 2019 (£2,332,607).

- **Customer retention**
  Delivering first-class customer service is key to customer retention. Blackbird has implemented quarterly calls with all our customers to gain feedback on the platform, understand how everything is operating, and assist with expanding Blackbird into new workflows. In 2020 we retained deals with customers who accounted for 94% of OEM and Infrastructure revenue in 2019.

- **Percentage of invoiced sales from infrastructure and 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. Good progress was made against our strategy during the year. In 2020 the percentage of Invoiced sales from OEM was 41% (2019: 57%) due to growth in our direct sales business predominantly in North America. As we continue to execute against our strategy, we expect the sales from our global OEM partners to ramp up and consequently the percentage of Invoiced Sales from OEM to increase.



PRINCIPAL RISKS AND UNCERTAINTIES

Financial instruments

The Company has a normal level of exposure to price, liquidity and cash flow risks arising from trading activities. The Company has no borrowings and reviews its working capital requirements on a regular basis. The Company's financial instruments comprise trade debtors, trade creditors and cash. The Company has not entered into any derivative or other hedging instruments. The Company's practice has been to finance its operations and expansion through the issue of equity share capital. Financial assets comprise cash at the bank and on short-term deposits. 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 Company is exposed to currency fluctuations on exchange rates for revenue and expenditure generated internationally. In particular, as North American revenues grow, the Company 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 Company 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. Total foreign exchange losses in the year were £23,135 (2019: £12,454).

Credit risk

Credit risk is the risk of financial loss to the Company 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 are three customers that represented more than 10% of revenue in 2020 (2019: one customer). The Company helps mitigate its financial risk by charging annual licence fees in advance where possible.

Capital management

The Board’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders. The Company remains debt free. The Company spreads its cash balances and term deposits 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 Company'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 Company 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 Company'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 industry and 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 items that can help generate repeatable sales in the industry and that are 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 Company 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 Company protects itself against cyber-attack by addressing known risks, such as published internet vulnerabilities and 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 Company also achieved SOC 2 Type I and SOC 2 Type II compliance during the year demonstrating its commitment to ensure that it has adequate procedures, processes and controls in place to protect our customers content and data. The Company prepares an annual security plan which focuses resources in the necessary areas.

Data protection and the 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 Company is GDPR compliant. This is a continuing process and a GDPR committee meets monthly to ensure levels of data and video content is controlled, new relationships assessed, and processes are being continually reviewed to protect personal data of all our stakeholders.

Organisational risks

As a small Company, we have a high proportion of key staff, and the loss of any of these staff would be detrimental to the Company. 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.

Brexit

To date there has been no significant impact to the Company's operations brought about by Brexit. However, rules over the transfer of data between the European Union and the United Kingdom are still to be determined and could affect operations in this region going forwards.

Coronavirus

COVID-19 brought uncertainty to all businesses. Whilst to date, the Company has been operationally resilient working remotely there are still increased risks:

- 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 Coronavirus 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.
- As a small team if any of our employees became 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.

S172 STATEMENT

During 2020, the Board of Directors of Blackbird plc consider that they have acted, in good faith, to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to factors (a) to (f) of the Act.

Strategy
It is important that our shareholders, be they institutional, private or employees, understand our strategy. We have set out our strategic direction (see Page 7) and presented this and progress against it to all shareholders and all employees so that they are clear how we intend to scale the business.

Stakeholders and risk management
As part of the QCA Corporate Governance code (see Page 19), we have identified our key stakeholders and actively taken steps to widen our engagement with them. For example, in 2020 the Company joined the Investor Meet platform giving shareholders further opportunity to listen to and engage with management and access reports and participate in Q&A afterwards. We have set out the principal risks that the Company faces and how, as much as we can, we mitigate them.

Our people
We have fostered a culture of inclusion and diversity with our employees where we embrace a set of values (see https://www.blackbird.video/careers/) and created an environment where we listen to and communicate with them regularly.

Our business relationships
We ensure that any potential customer or supplier adheres with our own high ethical standards and sign up to anti-slavery and anti-bribary codes. We welcome feedback from our customers and strive to meet the highest standards of service for them (see customer retention KPI on Page 10). The security of our customer's data and content is of the upmost importance to us and we have designed then put in place a series of procedures and policies to achieve this. Our commitment to attaining the SOC2 Type II accreditation reflects this.

Environment
We have highlighted the sustainability impact of the TV and video production industry and promoted the benefits that arise from using cloud native solutions, such as the Blackbird platform. Through utilising Blackbird, we enable customers to reduce their Carbon emissions and achieve their Carbon emission targets.

ON BEHALF OF THE BOARD:

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Stephen White
Chief Operating and Financial Officer
19 March 2021

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report with the financial statements of the Company for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was the commercial exploitation of a cloud video post-production platform.

The pandemic has led to uncertain times for many businesses. The principal risks are highlighted in the Strategic Report on Page 11.

DIVIDENDS

No dividends will be declared for the year ended 31 December 2020 (2019: £Nil).

EVENTS SINCE THE END OF THE YEAR

There were no significant events to report after the end of the year.

DIRECTORS AND DIRECTORS' INTERESTS

The following directors have held office during the period under review.

I McDonough
S B Streater
S J White
A Bentley
D E Airey
JK Honeycutt (appointed 24 June 2020)
DP Main

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	62,660,000	64,485,714
I McDonough	Ordinary shares of 0.8 pence	7,930,236	6,111,163
SJ White	Ordinary shares of 0.8 pence	307,333	214,286
A Bentley	Ordinary shares of 0.8 pence	101,249	101,249
DP Main	Ordinary shares of 0.8 pence	1,107,143	1,107,143
DE Airey	Ordinary shares of 0.8 pence	71,429	71,429
JK Honeycutt	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
		400,000			400,000	0.165	-	07/05/2023	06/05/2030
I McDonough	2,000,000				2,000,000	0.05375	-	15/09/2020	14/09/2027
	400,000				400,000	0.04	-	19/03/2021	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
		750,000			750,000	0.165	-	07/05/2023	06/05/2030
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
		100,000			100,000	0.165	-	07/05/2023	06/05/2030
		100,000			100,000	0.185	-	09/10/2023	08/10/2030
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
		75,000			75,000	0.165		07/05/2023	06/05/2030
		75,000			75,000	0.185		09/10/2023	08/10/2030
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
		75,000			75,000	0.165		07/05/2023	06/05/2030
		75,000			75,000	0.185		09/10/2023	08/10/2030
JK Honeycutt		250,000			250,000	0.1854		26/06/2023	25/06/2030
		75,000			75,000	0.185		09/10/2023	08/10/2030

The market price of the shares at the year-end was 19.625p. The highest closing market price during the year was 23.5p and the lowest closing market price was 7.25p.

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.

SIGNIFICANT 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
Premier Miton Group plc
Schroders plc
Hargreave Hale

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made £nil in charitable donations in the year (2019: £nil).

AUDIT COMMITTEE

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

The Committee's mandate is to:

- Monitor the integrity of the financial statements of the Company 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 Company's financial reports (both narrative and financial).
- Monitor the adequacy and effectiveness of the Company's internal controls and risk management systems.
- Review and monitor the emerging need for ESG reporting.
- 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 Company as at 30 June 2020 and the Annual Report and Statutory Accounts of the Company for the year ended 31 December 2020 giving particular attention to any changes in the year, such as the Long-term Incentive Plan, and ensuring clear and adequate disclosure in the notes to the accounts in respect of these.
- 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 Company for the year ended 31 December 2020 are adequately described and reported thereon.
- An assessment of the performance and continuing independence of Moore Kingston Smith LLP as auditors of the Company, 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 Company 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 Shareholders at the AGM.
- A review of the findings of the auditors arising out of the audit of the Company for the year ended 31 December 2020. 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 Company, and awarding Share Options to all employees of the Company. In the period since the last Directors' Report, it met six times. Specific actions taken by the Committee since the date of the last Directors' Report include the following:

- Approval of grants of share options and LTIP units and process
- Approval of senior executive pay changes

SHARE OPTION AND LONG-TERM INCENTIVE SCHEMES

In the 12 months to 31 December 2020, 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
07 May 2020	2,900,000	24	16.5	07 May 2023	06 May 2030
08 June 2020	200,000	2	16.667	09 June 2023	09 June 2030
26 June 2020	250,000	1	18.54	26 June 2023	25 June 2030
9 October 2020	1,515,000	24	16.0	9 October 2023	08 October 2030

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.

The Company also awarded 496.9 LTIP1 units and 518.1 LTIP2 units under its Long Term Incentive Plan. Full details of the Plan can be found under the investor's section on the Company's website. Note 13 to the accounts on Page 46 provides a summary.

Date awarded	No of units awarded	No of Directors, employees, consultants to whom options granted	Type of Units issued
07 May 2020	275.0	1	LTIP1
09 October 2020	221.9	7	LTIP1
	518.1	7	LTIP2

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

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.

Environment

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

- **Freedom**
  By its design, Blackbird gives end users the ability to operate remotely from any location. This facilitates a work-life balance. Additionally, as mentioned in the Strategic report, as Blackbird is available in a browser and is free of proprietary hardware, it provides a more sustainable solution compared to its competitors.

- **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.

- **Content availability**
  - Blackbird lets you control where your content is stored and who can access it. Our software ensures that you can keep your high-resolution content stored locally or available to authenticated users through the cloud. This involves ease of sharing between individuals.

- **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 complies with the Quoted Companies Alliance Corporate Governance Code ("**QCA 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 Company's corporate governance statement at www.blackbird.video. The Statement was updated on 19 March 2021.

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.
John Honeycutt	Non-Executive Director (appointed June 2020)	Relevant sector experience in Media Technology, an expert in cloud services, supply chain logistics and cyber security.

		International leadership experience in business strategy and operations, mergers and acquisitions, transformation and large-scale project delivery across all aspects of the media industry
David Main	Non-Executive Director (appointed April 2001), 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. 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 Company and the financial performance of the Company 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors 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: 19 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKBIRD PLC

Opinion

We have audited the financial statements of Blackbird plc for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and
- 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- critically assessing the cash flow forecasts and budgets prepared by the directors for 2021 and 2023, based on contracted revenue to date for 2021 and expected income thereafter, and discussing them with management;
- evaluating the reasonableness of the assumptions used in these calculations;
- performing sensitivity analysis on the cash flow forecasts and budgets to determine how changes in the figures or assumptions used could impact the overall cash position and the company's ability to continue in business; and
- critically assessing the projected cash position of the group throughout that period.

We observed, based on the work performed as set out above, that the assumptions used by the company in preparing their cash flow forecasts and budgets appear to be reasonable and that the approach taken in determining forecast revenues as set out above appears appropriate. We also concluded after performing the sensitivity analysis referred to above that the changes to the assumptions used did not appear to significantly impact the company's ability to continue in business.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

The revenue of the company has grown in 2020 and the loss for the year was less than in the prior year. However 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 Directors have undertaken an impairment review and concluded that no impairment was needed.

Audit Approach

Our objective is to critically assess the impairment review carried out by the Directors to determine whether the company's conclusion that no impairment was required was appropriate.

We evaluated the ability of the company 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.

We performed a detailed review of the company's current working capital model and operating plan, which includes the company's forecast revenue, profit and cash flows, together with a critical assessment of the sales pipeline by 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. Further discussions were held with the Board around the expected future costs included in the forecast to understand the assumptions underlying the forecast figures. We performed sensitivity analysis on changes to revenue and costs and its impact on the operating plan. Based on the work performed, we considered that the company'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 company 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 to be £87,062, 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) was 50% of materiality, namely £43,531.

We agreed to report to the Audit Committee all audit differences in excess of £4,353, 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 company's financial statements involved obtaining an understanding of the company and its environment, including controls and assessing the risk of material misstatement. The company 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 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 20, 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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, International Financial Reporting Standards as adopted by the European Union, the Rules of the Alternative Investment Market, and UK taxation legislation.

- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.

- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.

- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.

- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

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 company'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 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 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.

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 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BLACKBIRD PLC

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.

Moore Kingston Smith LLP

19 March 2021

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

Devonshire House
60 Goswell Road
London
EC1M 7AD

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

Income statement and statement of comprehensive income

	Notes	2020 £	2019 £
CONTINUING OPERATIONS			
Revenue	2	1,567,109	1,077,643
Cost of Sales		(163,338)	(161,269)
GROSS PROFIT		1,403,771	916,374
Other income		-	625
Operating costs		(2,819,692)	(2,689,101)
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION AND EMPLOYEE SHARE OPTION COSTS		(1,415,921)	(1,772,102)
Depreciation		(108,681)	(93,130)
Amortisation		(275,935)	(267,734)
Employee share option costs	18	(138,933)	(46,774)
		(523,549)	(407,638)
OPERATING LOSS	4	(1,939,470)	(2,179,460)
Net Finance income	5	33,451	18,397
LOSS BEFORE INCOME TAX		(1,906,019)	(2,161,063)
Income tax	6	25,415	32,424
LOSS FOR THE YEAR		(1,880,604)	(2,128,639)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,880,604)	(2,128,639)

Earnings per share expressed in pence per share			
Basic – continuing and total operations	7	(0.56p)	(0.71p)
`Fully diluted – continuing and total operations		(0.56p)	(0.71p)

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	1,105,657	972,245
Property, plant and equipment	9	308,565	391,044
Investments	10	-	-
		1,414,222	1,363,289
CURRENT ASSETS			
Trade and other receivables	11	292,834	503,037
Stock		15,728	661
Current tax assets		25,415	32,424
Short-term investments		1,617,820	-
Cash and bank balances		4,928,021	7,965,491
		6.879,918	8,501,613
TOTAL ASSETS		8,294,040	9,864,902
EQUITY AND LIABILITES			
CAPITAL AND RESERVES			
Issued share capital	12	2,696,433	2,681,913
Share premium		26,516,613	26,371,502
Capital contribution reserve		125,000	125,000
Retained earnings		(22,198,762)	(20,457,091)
TOTAL EQUITY		7,139,284	8,721,324
NON-CURRENT LIABILITIES			
Lease and other payables	13	324,044	323,135
CURRENT LIABILITIES			
Trade and other payables	13	830,712	820,443
TOTAL LIABILITIES		1,154,756	1,143,578
TOTAL EQUITY AND LIABILITIES		8,294,040	9,864,902

The financial statements were approved by the Board of Directors on 19 March 2021 and were signed on its behalf by:

Andrew Bentley
....
A Bentley – Director

....
SJ White – Director

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Issued share capital £	Retained earnings £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2019	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 loss 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
Changes in equity					
Issue of share capital	14,520	-	145,111	-	159,631
Share based payment	-	138,933	-	-	138,933
Total comprehensive loss for the year	-	(1,880,604)	-	-	(1,880,604)
Balance at 31 December 2020	2,696,433	(22,198,762)	26,516,613	125,000	7,139,284

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash used in operations	A	(1,089,946)	(1,865,056)
Interest paid on lease liabilities		(16,059)	(13,449)
Tax received		32,424	24,534
Net cash from operating activities		(1,073,581)	(1,853,971)
Cash flows from investing activities			
Payments for intangible fixed assets		(425,848)	(434,167)
Payments for property, plant and equipment		(26,203)	(19,370)
Transfer into short-term investments		(1,617,820)	-
Interest received		43,172	30,586
Net cash from investing activities		(2,026,699)	(422,951)
Cash flows from financing activities			
Share issues (net of expenses)		159,631	5,271,478
Payment of lease liabilities		(96,821)	(53,250)
Repayment of finance leases		-	(2,437)
Net cash from financing activities		62,810	5,215,791
(Decrease)/Increase in cash and cash equivalents		(3,037,470)	2,938,869
Cash and cash equivalents at beginning of year	B	7,965,491	5,026,622
Cash and cash equivalents at end of year	**B**	4,928,021	7,965,491

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

A. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH USED IN OPERATIONS

	2020 £	2019 £
Loss before income tax	(1,906,019)	(2,161,342)
Depreciation	108,681	93,129
Amortisation charges	275,935	267,734
Employee share option costs	138,933	46,774
Net Finance income	(33,451)	(18,397)
Earnings before interest, taxation, depreciation and amortisation	(1,415,921)	(1,772,102)
Movements in working capital:		
Decrease/(Increase) in trade and other receivables	202,145	(205,527)
Increase in trade and other payables	123,830	112,573
Cash used in operations	(1,089,946)	(1,865,056)

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:

Year ended 31 December 2020

	31/12/20 £	1/1/20 £
Cash and cash equivalents	4,928,021	7,965,491

Year ended 31 December 2019

	31/12/19 £	1/1/19 £
Cash and cash equivalents	7,965,491	5,026,622

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 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.

Going concern

The Company incurred a loss after tax for the year of £1,880,604 (2019: loss of £2,128,639). During the year, the Company increased sales momentum with revenue rising by 45% year on year despite the challenge environment from COVID-19. The Company made good progress executing against its strategy and securing Owner Equipment Manufacturers (OEM) partnerships which should help accelerate sales growth going forwards.

The Coronavirus outbreak has led to uncertain times for many businesses. In particular it has hit one of Blackbird's core markets, live sport, adversely affecting revenue from advertising and ticket sales. The Company has shown itself to be operationally resilient working remotely, being able to support customers, close new business and deploy effectively with the team working away from the office. It has also provided a remote working solution for customers enabling them to continue operations with their staff carrying out their functions safely from home.

The Company significantly reduced its cash burn during the year, excluding proceeds from share issues and funds transferred into short term investments which are measured as cash flow, to £1,579,281 (2019: £2,279,359). At 31 December 2020 the Company had £6,545,841 (2019: £7,965,491) held in cash and short-term investments.

The Directors have prepared a budget for accelerated growth in 2021 off a cost base which will continue to be closely managed to minimise losses and cash burn. Even without this growth, 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 the next twelve months. Therefore, the Directors consider that the preparation of the financial statements on the going concern basis is appropriate.

New and Revised Standards

Standards in effect in 2020 adopted by the Company

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 16 (amendments)

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.

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 Company 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, IAS 16 Property, Plant and Equipment and IAS37 Provisions, Contingent Liabilities and Contingent Assets
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- IFRS 17 Insurance Contracts

ACCOUNTING POLICIES – continued

New and Revised Standards (continued)

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

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Company'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 37) the Company prices these based on agreed contracted fees with customers. These fees are agreed in advance and are based on the type of service being provided.

Segmental reporting

The company'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 company further. Information regarding geographical revenues is disclosed in Note 2 (page 37) 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 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 development costs and perpetual licence which has an indefinite life are tested annually for impairment. At 31 December 2020 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 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 redeemable within 3 months.

Short-term investments

Short-term investments are fixed term deposits redeemable within 12 months.

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 Company. 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 Company 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 Company 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 Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company 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.

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.

ACCOUNTING POLICIES – continued

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 Company 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 Company adopted IFRS16 in the previous reporting period and recognised a right of use asset and lease liability (see Note 9) for the Head Office lease contracted during 2019.

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.

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.

ACCOUNTING POLICIES – continued

Carrying value of the intangible assets

The carrying value of the intangible asset of £1,105,657 comprises development costs capitalised on the basis described in the accounting policy note on page 33 and a perpetual licence purchased. The development costs are amortised over the periods of enhanced benefit to the Company 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 timeframe 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 Company'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 37. 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

	2020 £	2019 £
Accrued revenue at 1 January	21,566	-
Invoiced sales (released)/accrued in the year	(18,828)	21,566
Accrued revenue at 31 December	2,738	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

	2020 £	2019 £
Deferred revenue at 1 January	295,221	230,361
Invoiced sales deferred in the year	103,580	64,860
Deferred revenue at 31 December	398,801	295,221

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

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

compared to those for 2019 at 31 December 2019. Annual licence fees on direct sales to customers are often due upfront.

The Company operates and is managed as a single business unit. Further information is presented in respect of the geographical areas in which the company operates. The operations of each of the Company'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:

	2020 £	2019 £
UK	461,601	483,551
North America	968,251	468,714
Europe	74,130	104,858
Rest of World	63,127	20,520
Total	1,567,109	1,077,643

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

	2020 £	2019 £
News	434,296	233,547
Sport	540,810	359,843
Other Entertainment	506,655	399,188
Other	85,348	85,065
Total	1,567,109	1,077,643

In addition by revenue type:	2020 £	2019 £
Licence and usage fees	1,506,245	959,390
Hardware	4,500	107,126
Professional services	56,364	11,127
Total	1,567,109	1,077,643

During the year, sales to three customers each accounted for more than 10% of the total revenue. Total sales to the largest customer amounted to £276,145.

3. EMPLOYEES AND DIRECTORS

	2020 £	2019 £
Wages and salaries	1,799,100	1,678,014
Social security costs	197,343	188,763
Employers pension contributions	42,782	37,486
	2,039,225	1,904,263

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

	2020 £	2019 £
Wages and salaries	1,483,666	1,362,327
Social security costs	168,242	154,483
Employers pension contributions	42,782	37,486
	1,694,690	1,554,296

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

	2020	2019
Directors	3	3
Research and development	9	9
Sales	3	4
Product, Operations and Customer support	6	4
Marketing	1	1
Admin and finance	1	1
	23	22

Directors' remuneration and benefits

	2020 £	2019 £
I McDonough	224,854	193,993
SB Streater	156,836	156,706
SJ White	124,298	92,161
DP Main	28,914	38,325
JC Lees	-	33,296
JS Irving	-	18,598
A Bentley	46,830	38,175
DE Airey	20,000	12,128
JK Honeycutt	10,389	-
	612,121	583,382

Company pension contributions paid in the year were £14,100 (2019: £12,239). The number of Directors accruing pension benefits in the year were 4 (2019: 5).

4. OPERATING LOSS

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

	2020 £	2019 £
Operating leases	-	(23,199)
Foreign exchange differences	(23,135)	(12,454)
Research and development	(218,437)	(166,547)
Auditor's remuneration	(25,500)	(24,720)
Auditor's remuneration – non audit – taxation	-	(2,850)
Auditor's remuneration – non audit – all other services	(40,940)	(5,633)
Earnings before interest, taxation, depreciation and amortisation	(1,415,921)	(1,771,822)
Depreciation – owned assets	(108,681)	(93,130)
Development costs amortisation	(275,935)	(267,734)
Employee share option costs	(138,933)	(46,774)
Operating loss (before interest and taxation)	(1,939,470)	(2,179,460)

5. NET FINANCE INCOME

	2020 £	2019 £
Finance income:		
Deposit account interest	49,510	31,843
Finance costs:		
Interest on lease liability	(16,059)	(13,446)
Net finance income	33,451	18,397

6. INCOME TAX

	2020 £	2019 £
Current tax:		
Tax credit	25,415	32,424
Total tax credit in income statement	25,415	32,424

6. **INCOME TAX - Continued**

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:

	2020 £	2019 £
Loss on ordinary activities before tax	(1,906,019)	(2,161,063)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.0% (2019 –19%)	(362,143)	(410,655)
Effects of:		
Expenses not deductible for tax	1,559	4,405
Depreciation (in excess of)/lower than capital allowances	(3,593)	688
Non-trade interest expense	3,051	2,555
UK Tax losses	362,085	411,914
Additional relief for R&D expenditure	(18,823)	(24,014)
Timing difference on capitalised development costs	(22,900)	(26,204)
Share option exercise	(29,710)	-
LTIP provision	18,662	-
Employee share option cost	26,397	8,887
Total income tax	(25,415)	(32,424)

Tax effects relating to effects of other comprehensive income

	Gross	2020 £ Tax	Net
Employee share option cost	(138,933)	-	(138,933)

	Gross	2019 Tax	Net
Employee share option cost	(46,774)	-	(46,774)

UK Tax losses of approximately £20,523,000 (2019: £18,800,000) are available to relieve against future profits of the Company.

Unrecognised deferred tax assets	2020 £	2019 £
Depreciation in excess of capital allowances	-	813
Tax losses carried forward	3,899,370	3,572,000
	3,899,370	3,572,831

6. **INCOME TAX - Continued**

2020 unrecognised deferred tax asset is calculated at a rate of 19% (2019: 19%) 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.

	2020	2019
Loss attributable to equity holders of the company (£)	(1,880,604)	(2,128,919)
Weighted average number of ordinary shares in issue	336,136,928	298,013,292
Basic earnings per share (pence per share)	(0.56p)	(0.71p)

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.

	2020	2019
Loss used to determine diluted earnings per share (£)	(1,880,604)	(2,128,919)
Weighted average number of ordinary shares in issue	336,136,928	298,013,292
Share options	26,785,000	25,410,000
Weighted average number of ordinary shares used to determine diluted earnings per share	362,921,928	323,423,292
Diluted earnings per share (pence per share)	(0.52p)	(0.66p)

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

	Development costs £	Licences £	Totals £
COST			
At 1 January 2020	3,518,284	90,000	3,608,284
Additions	409,347	-	409,347
At 31 December 2020	3,927,631	90,000	4,017,631
AMORTISATION			
At 1 January 2020	2,636,039	-	2,636,039
Amortisation for year	275,935	-	275,935
At 31 December 2020	2,911,974	-	2,911,974
NET BOOK VALUE			
At 31 December 2020	1,015,657	90,000	1,105,657
At 31 December 2019	882,245	90,000	972,245

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

The company has purchased a perpetual licence to use a third-party's software on its servers.

The carrying values of the intangibles were assessed for impairment with no impairment deemed necessary (see Page 36).

9. PROPERTY, PLANT AND EQUIPMENT

	Right of use asset	Leasehold improvements	Fixtures and fittings	Computer Equipment & Software	Client-facing IT equipment	Totals
COST	£	£	£	£	£	£
At 1 January 2020	431,988	100,338	62,175	384,331	236,335	1,215,167
Additions	-	3,536	-	21,737	930	26,203
At 31 December 2020	431,988	103,874	62,175	406,068	237,265	1,241,370
DEPRECIATION						
At 1 January 2020	59,413	100,338	62,175	371,942	230,255	824,123
Charge for year	86,398	763	-	16,796	4,725	108,682
Disposals						
At 31 December 2020	145,811	101,101	62,175	388,738	234,980	932,805
NET BOOK VALUE						
At 31 December 2020	286,177	2,773	-	17,330	2,285	308,565
At 31 December 2019	372,575	-	-	12,389	6,080	391,044

	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

9. PROPERTY, PLANT AND EQUIPMENT - Continued

Office Building

During 2019 the Company entered into a 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 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

The Company had a finance lease shown under computer equipment which expired during 2019. Depreciation charged on these assets was £nil (2019: £2,925).

10. INVESTMENTS

The Company owned 100% of the share capital of Forbidden Technologies Inc, a company registered in Delaware, USA, for the purposes of acting as sales agent for their products in the Americas. Forbidden Technologies Inc had not traded for several years and was dissolved on 17 December 2019 at which point the cost of the investment, £641, was written off.

11. TRADE AND OTHER RECEIVABLES

Current:	2020 £	2019 £
Trade debtors	102,230	282,976
Less: provision for doubtful receivables	(3,000)	(3,000)
Trade debtors net of provision for doubtful receivables	99,230	279,976
Other debtors	112,166	123,357
Accrued income	11,258	23,739
Prepayments	70,180	75,965
	292,834	503,037

Included in other debtors is a rental deposit of £19,175 (2019: £19,175) which is subject to a charge.

The average credit period on trade sales is 46 days. Standard credit terms are 30 days. Included within trade debtors are balances totalling £53,303 (2019: £111,323) which are beyond agreed credit terms but are not subject to impairment. Cash of £84,930 from trade debtors at 31 December 2020 has been received post year end.

12. CALLED UP SHARE CAPITAL

Called up and fully paid:	2020 £	2019 £
337,054,092 ordinary shares of 0.8p each (2019: 335,239,092 ordinary shares of 0.8p each)	2,696,433	2,681,913

12. CALLED UP SHARE CAPITAL – Continued

During the year the Company issued 4,865,000 (2019 – 7,035,000) share options under the terms of the share option schemes. The total share options outstanding as at 31 December 2020 was 26,785,000 (2019: 25,410,000).

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

	Class of share	31/12/2020	31/12/2019
SB Streater	Ordinary shares of 0.8 pence	1,770,000	1,370,000
I McDonough	Ordinary shares of 0.8 pence	5,130,000	5,130,000
SJ White	Ordinary shares of 0.8 pence	1,750,000	1,000,000
A Bentley	Ordinary shares of 0.8 pence	960,000	760,000
DP Main	Ordinary shares of 0.8 pence	1,735,000	1,685,000
DE Airey	Ordinary shares of 0.8 pence	560,000	410,000
JK Honeycutt	Ordinary shares of 0.8 pence	325,000	-

13. TRADE AND OTHER PAYABLES

Current:	2020 £	2019 £
Trade creditors	31,913	183,918
Social security and other taxes	59,645	56,607
Lease Liability	96,905	96,850
Licence Liability	16,500	16,500
Other creditors	73,817	63,364
Deferred income	398,801	295,221
Accruals	153,131	107,983
	830,712	820,443

Non-Current:	2020 £	2019 £
Lease liability	201,067	281,885
LTIP provision	98,227	-
Licence Liability	24,750	41,250
	324,044	323,135

13. **TRADE AND OTHER PAYABLES – Continued**

LTIP Provision

The Company put a Long Term Incentive Plan (LTIP) in place during 2019 which was approved at the 2019 AGM. Details of the scheme can be found under the Investors section on the Company's website. Under the scheme, a maximum of 5,000 LTIP1 units and 5,000 LTIP2 units can be issued during an LTIP period. The first LTIP period being 1 January 2019 to 31 December 2021.

Each LTIP unit will have the right to receive the value from its respective LTIP pool divided by 5,000.

The value of each LTIP pool will be calculated 30 days after the date of the announcement of the Company's full year audited results for its Financial Year ending 31 December 2021 and be equal to 5% of the total increase, if any, in the Company value above the hurdle value applicable to that pool.

The Company value will be calculated by taking the Share Price multiplied by the number of Shares in issue on a fully diluted basis (as if all outstanding vested options had been exercised) at the applicable calculation date, save that where the LTIP Period is shortened due to an Exit event, the Company value shall be equal to the Exit value.

The hurdle value for each LTIP pool is the hurdle price multiplied by the number of Company shares in issue on a fully diluted basis at the applicable calculation date. The hurdle price for each LTIP1 unit is 15 pence per share and for each LTIP2 unit is 20 pence per share.

During the year the Company made its first awards under the scheme issuing 496.9 LTIP1 units and 518.1 LTIP2 units. The awards made to Directors were as follows:

	LTIP1 units	LTIP2 units
Ian McDonough	357.2	191.9
Stephen Streater	49.3	115.1
Stephen White	49.3	115.1

The forecast provision for the LTIP units issued has been calculated using the Black Scholes approximation model and will be recognised evenly over the current LTIP period of 1 January 2019 to 31 December 2021. The provision will be recalculated at the end of every reporting period. An expense of £98,227 was recognised in the Comprehensive Income statement for the period and a similar amount for a provision under Non-Current liabilities.

Other assumptions used in the Black Scholes model were as follows:

Expected Volatility	64.11%
Expected Dividends	0%
Time to exercise (years)	1.35
Risk free rate	-0.04%

14. **LEASING AGREEMENTS**

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

	2020 £	2019 £
In the next 12 months	96,905	96,850
Between one and five years	201,067	281,884

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

15. FINANCIAL ASSETS AND LIABILITIES

The Company's financial assets and liabilities comprise trade debtors, trade creditors, cash and liquid assets.
The Company has not entered into any derivative or other hedging instruments.
The Company'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 7 to 13.

16. RELATED PARTY DISCLOSURES

Fees amounting to £950 (2019: £nil) were paid to the wife of Ian McDonough. In 2019 sales amounting to £1,275 were invoiced to Fanview Media Ltd in the period when Jim Irving was a director.

17. ULTIMATE CONTROLLING PARTY

At 31 December 2020 there was no ultimate controlling party of the Company.

18. SHARE-BASED PAYMENT TRANSACTIONS

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.

18. **SHARE-BASED PAYMENT TRANSACTIONS – Continued**

Exercise price (£)	Date granted	Range of dates exercisable	Number of shares for which rights are exercisable at 31/12/2020	Number of shares for which rights are exercisable at 31/12/2019
Non-tax advantaged				
0.16	05/07/2010	05/07/2013-04/07/2020	-	670,000
0.36	05/11/2010	05/11/2013-04/11/2020	-	682,431
0.1275	06/10/2011	06/10/2014-05/10/2021	780,000	780,000
Approved				
0.36	05/11/2010	05/11/2013-04/11/2020	-	17,569
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	170,000	190,000
0.09	25/06/2015	25/06/2018-24/06/2025	-	500,000
0.05875	18/11/2015	18/11/2018-17/11/2025	550,000	925,000
0.085	07/06/2016	07/06/2019-06/06/2026	760,000	910,000
0.06	31/03/2017	31/03/2020-30/03/2027	1,950,000	2,400,000
0.05375	15/09/2017	15/09/2020-14/09/2027	2,000,000	2,000,000
0.04	19/03/2018	19/03/2021-18/03/2028	1,700,000	1,775,000
0.0525	15/09/2018	15/09/2021-14/09/2028	3,330,000	3,490,000
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	2,290,000	2,435,000
0.16	19/12/2019	19/12/2022-18/12/2029	4,385,000	4,600,000
0.16	07/05/2020	07/05/2023-06/05/2030	2,870,000	-
0.1667	08/06/2020	08/06/2023-07/06/2030	200,000	-
0.1854	26/06/2020	26/06/2023-25/06/2030	250,000	-
0.185	09/10/2020	09/10/2023-08/10/2030	1,515,000	-

18. **SHARE-BASED PAYMENT TRANSACTIONS – Continued**

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

	2020 Weighted average exercise price (£)	2020 Number of options	2019 Weighted average exercise price (£)	2019 Number of options
Outstanding at the beginning of the period	0.115	25,410,000	0.108	19,475,000
Granted during the period	0.172	4,865,000	0.131	7,035,000
Forfeited during the period	0.099	625,000	0.054	730,000
Exercised during the period	0.088	1,815,000	0.078	200,000
Lapsed during the period	0.293	1,050,000	0.24	170,000
Outstanding at the end of the period	0.121	26,785,000	0.115	25,410,000
Exercisable at the end of the period	0.130	9,645,000	0.181	8,110,000

The options outstanding at the year-end have an exercise price in the range of £0.04 to £0.275 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:

	2020	2019
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	63.17%	60.08%
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)	0.23%	0.76%
Weighted average fair value of options granted	£0.0819	£0.0547
Weighted average share price	£0.171870	£0.128175
Exercise price	£0.172346	£0.131445

18. **SHARE-BASED PAYMENT TRANSACTIONS – Continued**

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:

	2020 £	2019 £
Equity settled share based (credits)/payments	138,933	46,774