# Annual Report and Financial Statements of Blackbird PLC

FOR THE YEAR ENDED 31 DECEMBER 2021

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## FOR THE YEAR ENDED 31 DECEMBER 2021

## COMPANY INFORMATION

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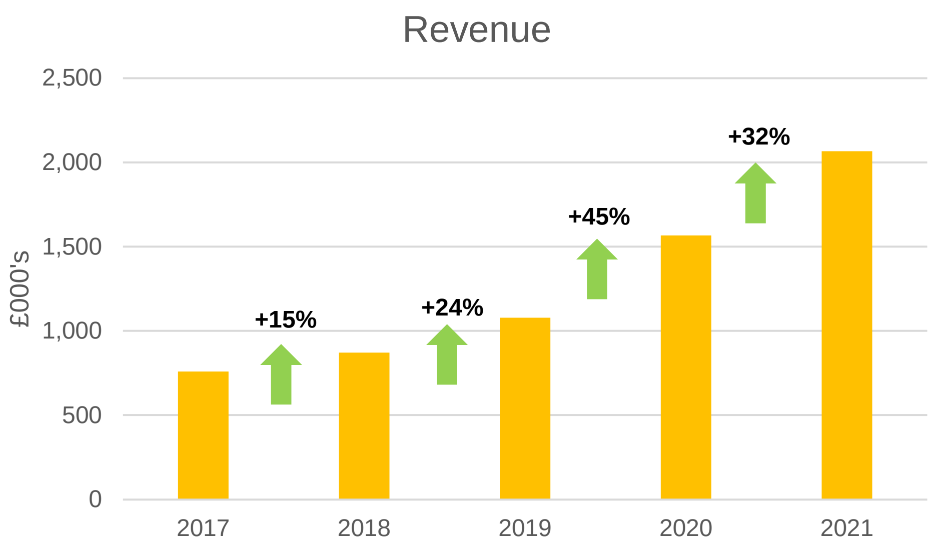
| **DIRECTORS:** | I McDonough<br>SB Streater<br>SJ White<br>A Bentley<br>DE Airey<br>DP Main<br>JK Honeycutt |
| **SECRETARY:** | MC Kay |
| **REGISTERED OFFICE:** | Tuition House<br>27 – 37 St George's Road<br>Wimbledon<br>London<br>SW19 4EU |
| **REGISTERED NUMBER:** | 03507286 (England and Wales)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

For many people, 2021 continued to be an extension of the lifestyle and the workplace adjustments that we all had made in 2020. Working remotely via the use of innovative cloud-based technology continues to be the norm. As a pioneer of cloud native video technology, Blackbird continues to be the most efficient platform available for our customers and their employees to work collaboratively and remotely on any connected device.

2021 was also a year of increased and widening recognition for Blackbird, winning three major media technology awards including SportsPro's 'Technology Company of the Year'. Similarly, as ESG continues to be a major factor in all business activities, the important role that Blackbird plays in the potential to significantly reduce the carbon footprint of our customers is also being increasingly recognised. Sustainability is one of the key differentiators for the Blackbird platform, reducing carbon emissions by up to 91% relative to other nonlinear editors (NLE's) of some of our major competitors, according to the independent environmental research company Green Element.

The increased levels of awareness for our platform have allowed us to continue the sales momentum that we achieved in 2020. As well as year-on-year revenue growth of 32%, we also grew our contracted but unrecognised revenue by 93% to £3,732k. As we onboarded yet more meaningful global brands to our platform, our OEM strategy of partnering with key major players where we access our partners' sales channels as a route to market, resulted in new distribution partnerships and a number of key infrastructure deals, which will allow us to significantly broaden our market reach.

Our results for the year continue to show strong growth underpinned by our increased market presence and strategic partnerships. The Company recognised revenues of £2,066k (2020: £1,567k). We continued to grow our North American business to £1,256k (2020: £968k) and it now comprises 61% of our revenues. Our revenue mix remained strong with OEM revenue accounting for 45% in the year, 48% coming from infrastructure and 7% from development work on our first 'Powered by Blackbird' deal.




**Strategy**

In 2021 we passed a key inflection point for our business via the licensing of packaged modules to a global broadcast company of the core underlying technology upon which our own editor is built. Not only is this a significant deal, but it paves the way for multiple market sectors to incorporate our technology into their technology with a range of compelling benefits including superior performance, flexibility, sustainability and reduced operating costs. This B2B 'Powered by Blackbird' approach is a major milestone to the unlocking of the true potential of our unique patented technology and significantly grow our total addressable market.

Outside of the NLE professional video editor market, the patented Blackbird technology has many significant potential applications around the creation, publishing and distribution of content. By the end of 2021 the Board of Directors agreed to seek additional funding in order to resource a wider exploitation of our technology. To this end we successfully raised £8.0 million (before costs) via a market placement, for the sole purpose of funding the development and exploitation of our technology in new areas whilst not compromising our core market focus today.

Regarding our core market of professional media and entertainment video editing, the Blackbird platform continues to be 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 and makes possible our 'Powered by Blackbird' expansion. Similarly, we are ensuring that Blackbird can be integrated with wider third party functionality through developing our APIs.

As we go forward, we remain committed to maintaining the superiority of our video codec, and other unique components of our platform, to extend our applicable markets. We will broaden our strategic focus and build upon our unique points of difference. We will continue to create meaningful IP that has strong commercial potential and will test it in the market as appropriate.

In a year that has been very difficult for many individuals and for many businesses, Blackbird has continued to evolve and grow. 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**

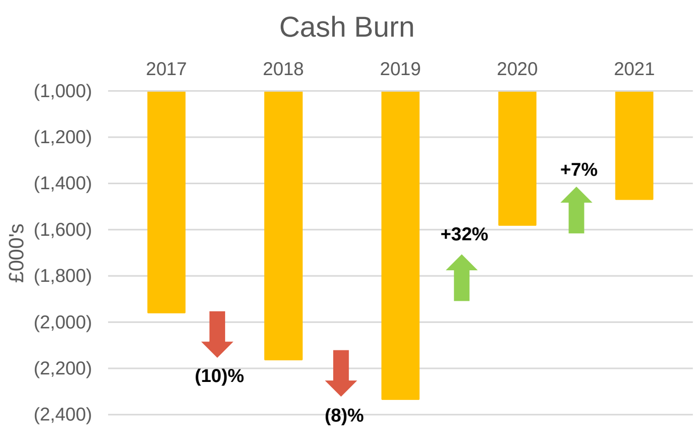
In the year ended 31 December 2021, the Company recorded revenues of £2,066k (2020: £1,567k), which represented an increase of 32% year on year. Revenues in Sports and News, our core target sectors, both increased by 28% year on year. Additionally, the Company recognised £137k revenue in the year from its first technology licensing deal. Branded 'Powered by Blackbird' this will open up a new route to market.

Operating costs, excluding LTIP provision, during the year to 31 December 2021 were £3,107k compared to £2,721k in the corresponding period in 2020 as we strengthened the team in R&D, Product and Sales and saw a full year impact of 2020 hires.

The Company has identified certain metrics such as i) EBITDA pre LTIP provision and ii) cash burn excluding proceeds from share issues and transfers into short-term deposits, which whilst they are non-GAAP metrics, assist in the understanding of business performance. These alternative performance measurements may not be directly comparable with other companies' measures and are not intended to be a substitute for any International Accounting Standards performance measures. The Company believes that EBITDA pre LTIP provision is the best measure to reflect core operational performance and that cash burn, excluding proceeds from share issues and transfers into short-term deposits, provides the best measure of the cash being utilised by the business until it can be self-generating.

EBITDA pre LTIP provision improved to a loss of £1,197k (2020: a loss of £1,318k). The net loss for the year was £2,135k compared to a net loss of £1,881k in 2020 due to a better EBITDA pre LTIP provision offset by a higher LTIP provision of £358k (2020: £98k) and higher amortization and share option charges. The LTIP provision calculated at 31 December 2021 was based on a 30.75 pence share price. In 2022, with amongst other items a sell-off in global technology stocks and the escalating crisis in Ukraine, the Company's share price has fallen. The share price could rise or fall further prior to the LTIP payout resulting in a material difference between the 31 December 2021 LTIP provision and the actual LTIP payout.

After the December placing, the Company ended the year with a strong balance sheet including £12,839k of cash and short-term deposits (31 December 2020: £6,546k). During the year the Company reduced its cash burn, excluding proceeds from share issues and transfers into short-term deposits, to £1,468k from £1,579k in 2020, a result of increased revenue partially offset by higher operating costs.






BLACKBIRD

**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 £3,732k as at 31 December 2021 (31 December 2020: £1,931k). £1,811k of this balance relates to revenue to be recognised in 2022 which is up 71% compared to the 2020 comparative of £1,058k. As a result, we are well positioned for strong growth this year.

Looking forward, our 'Powered by Blackbird' strategy has the potential to significantly increase our addressable markets and, as the use of video penetrates most sectors, content creators, media publishers and broadcasters will continue to look for more effective solutions. The benefits of these solutions will include improved remote collaboration and helping companies to reduce their carbon footprint, 'Powered by Blackbird' enables our partners to license our technology and incorporate it within their own solutions making Blackbird well positioned for meaningful growth.

With the proceeds of our recent fundraise, we will seek to apply our technology to other commercially attractive sectors where we have a compelling advantage and proven capability. We may address these sectors using different routes to market, including by going to market 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 continued to grow in awareness and reputation over the last year and the Board would like to thank Ian and his team for the significant progress that has been made during a very challenging time.

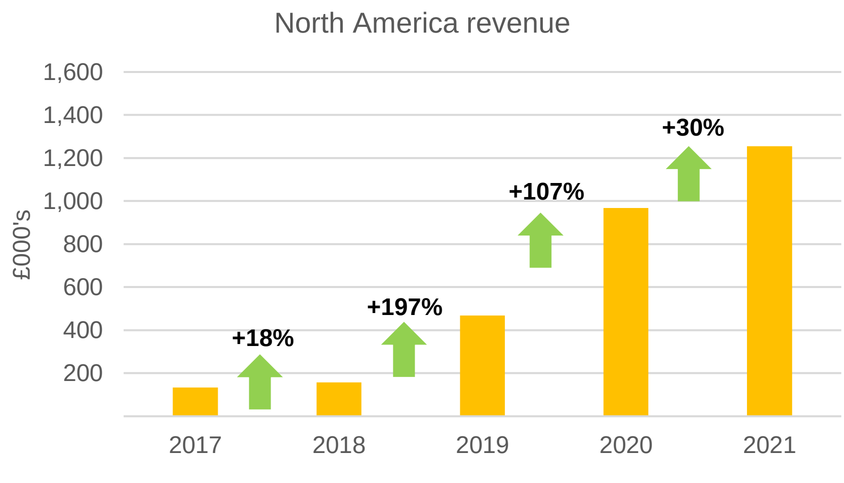
**Andrew Bentley**
**Chairman**

Where 2020 was a year of disruption for our industry, 2021 was a year where the expected return to a predictable normal never quite happened. Media and Entertainment had to be prepared for the unexpected and to an extended period of uncertainty and disrupted work patterns. From a Blackbird perspective our preparation paid off and this provided significant opportunities, as you would expect. The accelerated shift to sustainable and efficient remote production has seen Blackbird's profile rise prolifically in the industry. We finished the year having been awarded three prestigious industry accolades including 'Tech Company of the Year' by SportsPro.

This year was transformational because of our first technology licensing deal and subsequent 'Powered by Blackbird' brand launch. Since I joined the Company, proving the value of our technology outside of our core product has been a key goal. This opportunity can result in significant value creation, which is why many of the team, including myself are significant investors in the business. This year was the year we have that first official proof point. In addition, it came via a Global Broadcast Company of high repute targeting a global product rollout in 2022. The deal itself is made up of several parts including a development fee, and an annual minimum guarantee underpinning a revenue share of sales. It is already double the size of any of the Company's previous contracts at €2million over the 5 year term and one we expect to grow well beyond the minimum guaranteed fees. I can happily report that the contract execution is, at time of writing, progressing well and the partner in question has expressed their happiness with the service we are providing. We are both looking forward to a successful high-profile rollout of the product starting towards the end of the first half of 2022.

Outside of the technology licensing the key focus is scaling Blackbird through OEM partnerships. Good progress was made in these areas as can be seen by adding EVS, where we were involved in the largest and most important international sporting games of 2021 and also thus far of 2022. Unfortunately, confidentiality prevents us naming the events. LiveU and Eurovision were also onboarded this year as new OEM partners both bringing high profile paying customers to add to our roster. LiveU brought Blackbird into its deal in Germany for the national and local elections where we were used to cut from live by RTL and other German public service broadcasters. This was our first entry into that territory and one where we can expect further growth. Eurovision, the production arm of the European Broadcast Union (EBU) which has over 100 broadcasters as members has started using Blackbird on several different international sports disciplines including cycling and athletics. We also significantly grew existing OEM account TownNews which from a single figure base in 2018 now has 80 stations using Blackbird. Our relationship with TATA Communications while strong and collaborative continues to find its feet and although it grew this year with a significant new international sports competition added, it was at a slower pace than we expected. There is appetite on both sides to drive much further growth and we are working together find a more streamlined approach in 2022.

In terms of direct infrastructure deals, Blackbird's reputation of delivering world beating speed and efficiency into live news and sports rooms ramped up with new deals with some major European and US clients. Prize amongst these is our first US Studio deal with CBS Sports where Blackbird is used on all European soccer production. In addition, we have been deployed into Univision too where the platform is used in live sports and news and where, post year end, we have just seen an expansion. The trailblazing US news network Cheddar News have also started to use Blackbird on a nationwide basis with both field reporters and studio-based journalists. Elsewhere we were deployed with Athletes Unlimited in minority US growth sports such as softball and lacrosse. Our deal with ODK showcases how Blackbird's infrastructure enables our most international of workflows with a Korean company, using a Vietnamese production team to prepare Latin American content for delivery to a US audience. In the UK too we have expanded with BT TV which is driving efficiencies in both sports and general entertainment distribution. Just before the end of the year we also signed a deal with FIFA, where deployment will take place in early 2022. We have also seen successes in both replacing traditional non-linear editors, complimenting their usage through using Blackbird in new workflows and also supplementing capability in organisations such as A+E Networks. This was highlighted by the A+E Networks operational team in a joint webinar showing that Blackbird sits across multiple departments.



The financial and strategic benefits of launching our technology licensor brand 'Powered by Blackbird' globally with the Global Broadcast Company include that we have accelerated the modularization of our platform for tech licensing ahead of public cloud assimilation. In addition, we made excellent progress in the public cloud initiative and in December we were awarded the Foundation Technical Review by Amazon Web Services (AWS). This is a significant milestone in the integration of our platform into the largest of the public clouds. Public cloud integration will be a key focus in 2022.

Elsewhere on the platform the integrations with EVS for the international games and CBS were made possible by rapid advancement of our API suite which are becoming both more robust and multifunctional each month. Being a seamless part of a complex media supply chain, as our Blackbird platform now is, means the development of several high specification gateways which are now operational.

Similarly, to become established in the media and entertainment space you need to have the trust of customers. Certainly, being on public cloud is a fast track to that in terms of convincing management of blue chip companies of reliability and security. Another is having SOC2 Type2 status which is the gold standard of US cyber and data security for the media industry. Blackbird achieved SOC2 Type 1 and then SOC2 Type 2 statuses in 2021 and maintained the SOC2 Type 2 accreditation this year. This has taken some time and effort on the team's behalf, and it means contracts that previously took months can now be completed in a much shorter time.

The profile of Blackbird is also on a steep upward trajectory. In 2021 we published two white papers. The first was a groundbreaking piece on the carbon efficiency of the Blackbird technology and product. The carbon footprint of video production had for many years gone under the radar screen and was underreported. We worked with an independent environmental agency, Green Element, to be the first in our sector to put out independently verified data points about the savings we make, which garnered a huge amount of media coverage for the Company. Especially when the data points are as compelling as a saving of up to 91% carbon. I was personally interviewed on Sky News and Blackbird featured in over 40 different articles, features and industry panels throughout the year talking about it. Our work encouraged one of the key bodies in our industry, the International Association of Broadcast Manufacturers (IABM) to launch an 'Environmental Sustainability' Award which we duly won in December. This work also led the London Stock Exchange to award the company its prestigious Green Economy Mark which just 5% of listed UK businesses have received.

Within the year other accolades included the NAB Show 'Product of the Year' and the top prize at the SportPro OTT Awards 'Best Tech Company 2021'.

Sometimes it's easy to forget we only rebranded the software and renamed the Company in 2018 and 2019. This year we released 28 press releases, hosted ten webinars with partners, conducted 25 interviews and were on twelve industry panels. It's safe to say that if the industry hadn't heard of Blackbird pre-Covid, they have now.

As a final act of 2021 we undertook a successful placing in the market at 28p, double the share price of the last placing in December 2019, raising £8.0 million before costs. These funds will be used to explore new markets for Blackbird outside of the professional media and entertainment video editing market. This was presented to shareholders at an Investor Meet Company meeting in December, a recording of which can be found on our website and is discussed in our Strategy section (see page 7).

We look forward to an incredibly exciting 2022 with a world respected technology platform, an enviable client list, a sky-high industry profile, a highly professional team and a very healthy bank balance. We eagerly anticipate seeing Blackbird fully integrated into the public cloud, the rollout of our first technology licensing deal and the further adoption of our efficient and sustainable solution on a global basis.

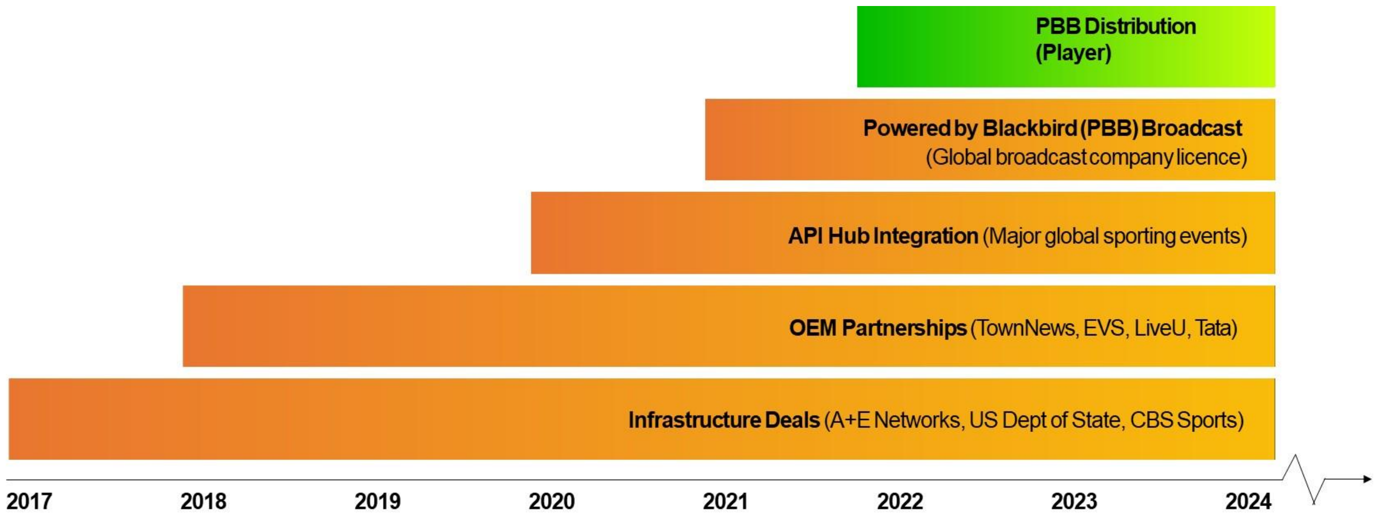
**Ian McDonough**
**Chief Executive Officer**

**Business review**

2021 was a successful and progressive year where the Company recorded record revenues, built on its core Blackbird platform strategy and entered into its first technology licensing deal. In addition, after the first proof point of the value of its core Intellectual Property ('IP') outside the Blackbird platform, the Company launched its 'Powered by Blackbird' ('PBB') brand for licensing its core video technology. In December 2021, the Company raised £8.0 million (before expenses) to prototype and develop PBB opportunities outside of the video editing market. This will considerably open up the total addressable market for the Company with the first prototype PBB product, devised around the Blackbird Player, to be launched in H2 2022. The below Strategic Progression chart, which was presented to investors and shareholders at the time of the recent fundraise, highlights the advancement of the exploitation of the core Blackbird Platform and future growth opportunities outside the video editing sector for the Company.

The Company's IP is at the heart of the market opportunities and the Company holds 14 patents, with a further 4 pending. As we grow into new markets and progress the technology, we will continue to protect our IP by registering further patents and copyright.

## Strategic Progression




During the year, good progress was made in our two core target markets for the Blackbird platform. In the news sector, revenues grew 28% year-on-year to £555k as the Company won a contract with Cheddar News and expanded its operations with Town News, servicing 80 local U.S. news stations by the end of the 2021. Revenues from the Sport sector grew 28% year-on-year to £701k, with new contract wins from CBS Sports Digital, Eurovision Sport, a major sporting event through EVS and Athletes Unlimited.

The product and development team continue to evolve the Blackbird platform. During 2021, they added further APIs, multi-factor authentication and single sign-on which has made the platform more interoperable with third parties technology, opening up Blackbird being a hub for content providers such as Eurovision Sport. Future development will enable Blackbird to be completely contained within the major public cloud ecosystems, such as AWS where the Company announced in January 2022 that it had achieved the AWS Foundation Technical Review. This will allow potential customers to fully retain their content within this environment. This will also enable the Company to scale efficiently as it grows.

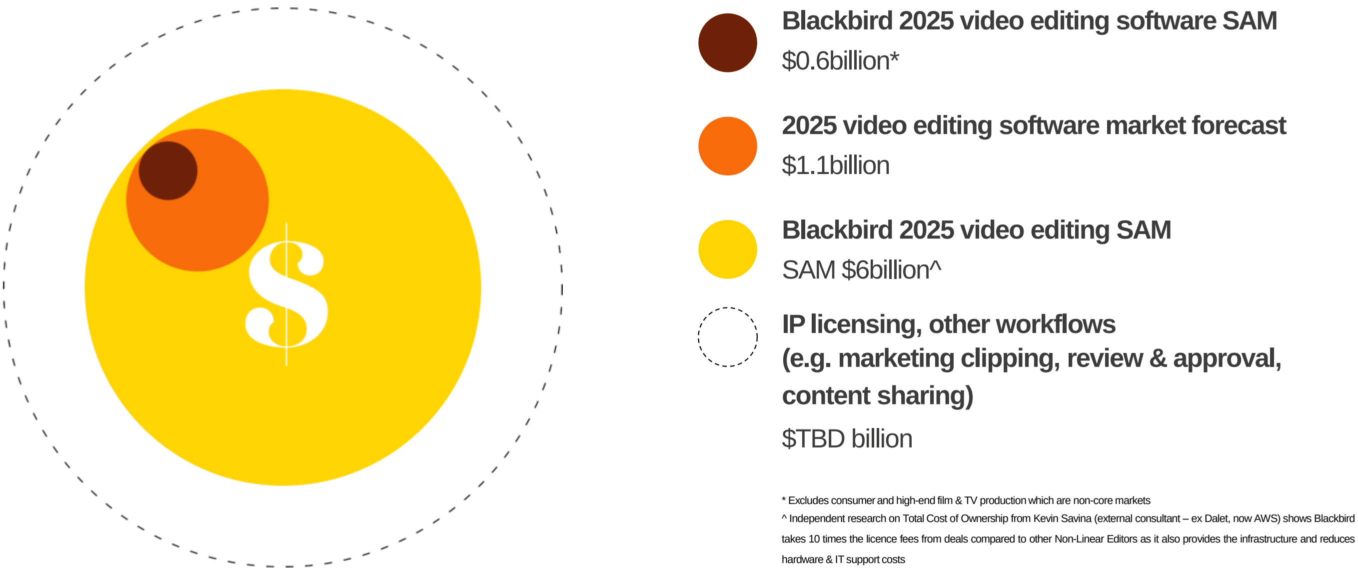
During 2021, Blackbird published two white papers of strategic importance, on Sustainability of Video Production and on Total Cost of Ownership (TCO).

'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 green technologies, such as Blackbird, can help our customers move towards a Net Zero Carbon footprint. Blackbird commissioned an external review by Green Element, an environmental consultancy, who looked at the Carbon Footprint on a live sporting event. On a major two-week sporting event they estimated that Blackbird would produce up to 91% less carbon emissions than a traditional on premise video editing solution and up to 84% less than a hybrid cloud based competitor workflow. On the back of this report and our communication of the sustainability impact of the industry, we were delighted to receive the inaugural 'Environmental Sustainability Company of the Year 2021' from the IABM BaM Awards.

In June 2021 the TCO report was published. This showed Blackbird having up to a 35% lower TCO vs. alternative cloud solutions. It also showed that Blackbird takes a higher 'share of wallet', with the analysis highlighting that on average this is ten times higher than competitor non-linear editors.

Blackbird's TCO advantage, together with the environmental benefits provide compelling reasons for customers to choose our platform over competitors. In 2022, the Company will continue to take a leadership position on sustainability within the industry, working with similar-minded organisations to promote the benefits of green technologies.

On the back of our TCO report, the Company calculated its Total Addressable Market (TAM) and Serviceable Addressable Market for the Blackbird platform which showed that there is a $6 billion opportunity to pursue. Our goal of a fully contained Blackbird within the Public Cloud environment will help us address this market and scale effectively.




A detailed review of the Company's financial performance during the year ended 31 December 2021 and an outlook for the future is provided within the Chairman's statement on page 2 and the Chief Executive's review on page 5.

**Going concern**

The Company made a loss after tax for the year of £2,135k (2020: loss of £1,881k). During the year, the Company continued to build revenues with growth of 32% year on year. The Company became a technology licensor for the first time in September, securing its largest ever deal with a global broadcast company. This will add an additional route to market in the professional video editing space and when the product is launched with 'Powered by Blackbird' co-branding will drive further awareness of the brand. Sales from Original Equipment Manufacturers (OEM) partnerships, which are also important to accelerate sales growth, were up 43% year on year, through adding Eurovision and expanding our TownNews utilisation to 80 U.S. local stations. The Company starts the year with contracted but unrecognised revenues of £1,811k for 2022 up 71% on the prior year (2020: £1,058k), which is subject to exchange rate fluctuations.

The Company reduced its cash burn during the year, excluding proceeds from share issues and funds transferred into short term investments, to £1,468k (2020: £1,579k). This has been brought about by increasing revenues and control of the cost base, adding resources which will drive future growth. In December 2021, the Company conducted a successful £8.0 million (before expenses) fundraise to exploit its' IP in other markets outside of professional video editing. At 31 December 2021 the Company had £12,839k (2020: £6,546k) held in cash and short-term investments and no debt.

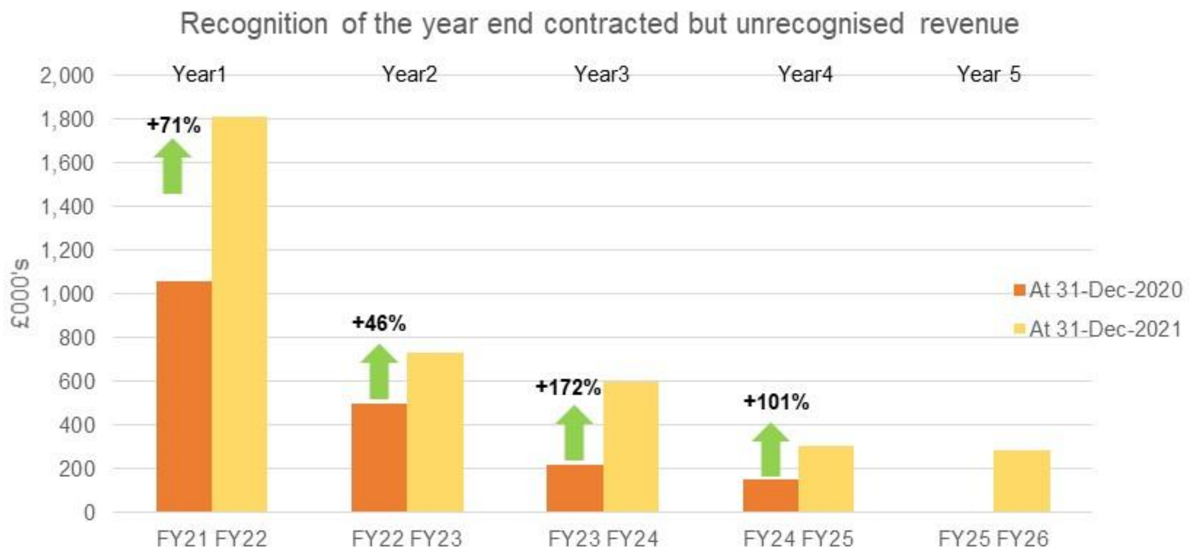
The Directors have prepared a budget for continued growth off a cost base which will continue to be closely managed and support future growth. During the year the Company brought onboard additional sales resource to drive further growth from OEM partners and, together with additional 'Powered by Blackbird' deals, aim to move 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. We also focus our attention on improving EBIDTA pre LTIP provision and the loss for the year. Additionally, the Board uses the following metrics to monitor business performance:

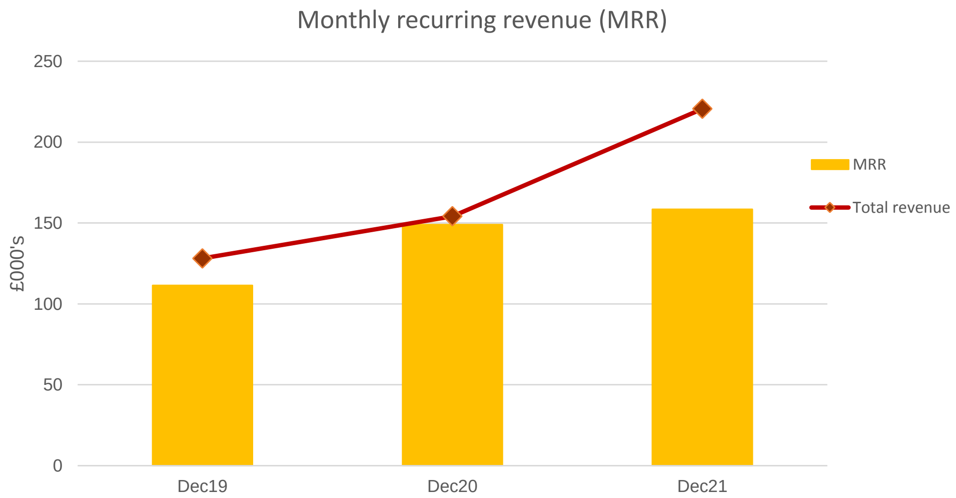
- **Contracted but unrecognised revenue is a key measure of future revenues**
  At the end of 2021, contracted but unrecognised revenue was £3,732k (31 December 2020: £1,931k) up 93% year on year with a 71% increase in revenue secured for the following year at 31 December 2021 compared to the prior year.



- **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 2021 cash burn, excluding proceeds from share issues and funds placed on short-term deposits, was £1,468k a reduction of 11% compared to 2020 (£1,579k). This metric reconciles back to net cash from operating activities as follows:

| | 2021 | 2020 |
|---|---|---|
| **Net cash from operating activities** | **(887,630)** | **(1,073,581)** |
| Payments for intangible fixed assets | (443,657) | (425,848) |
| Payments for property, plant and equipment | (65,288) | (26,203) |
| Interest received | 25,393 | 43,172 |
| Payment of lease liabilities | (96,905) | (96,821) |
| **Cash burn, excluding proceeds from share issues and transfers into short-term deposits** | **(1,468,087)** | **(1,579,281)** |

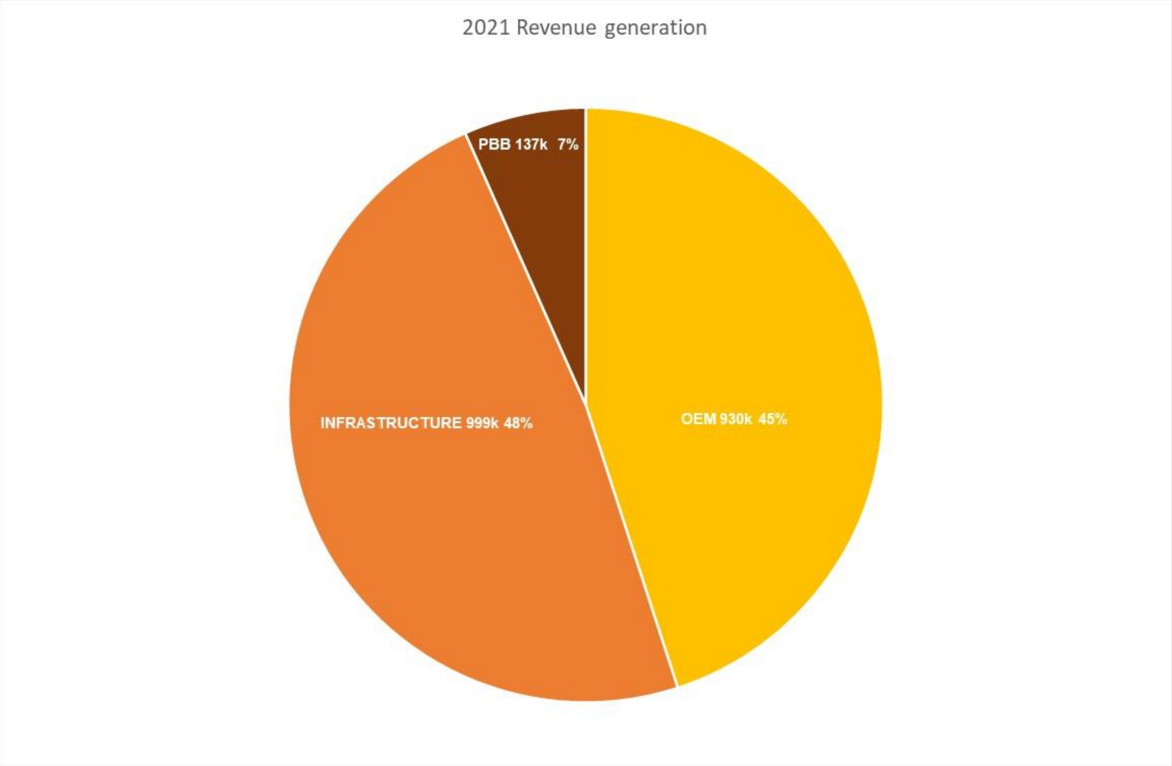
- **Monthly recurring revenue (MRR)**
  Grew by 6% year on year and by 42% over the last two years. Total December 2021 revenue grew by 43% year on year and by 72% over the last two years as one-off non-recurring revenue items significantly increased. Contracted deals during the year which did not impact December 2021 MRR include:
  - FIFA, as revenues won't be recognised until deployment in 2022
  - the development fee (2022: €539k) and the annual minimum guarantee (2022: €180k) from our technology licensing deal




- **Customer retention**
  Delivering first-class customer service is key to customer retention. Blackbird has implemented calls with all our customers to gain feedback on the platform, understand their use cases, and assist with expanding Blackbird into new workflows. In 2021 we retained deals with customers who accounted for 97% of OEM and Infrastructure revenue in 2020.

- **Percentage of sales from OEM**
  Our strategy is focused on driving revenue from recurring infrastructure, OEM sales and also, for the first time this year, technology licensing under the brand 'Powered by Blackbird'. In 2021 the percentage of revenue from OEM was 45%. As we continue to execute against our strategy, we expect the sales from our global OEM partners to ramp up and year on

year revenue growth from OEM was up 43% to £930k.




**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, in North America and in Europe, the Company is exposed to changes in the pound versus US dollar and Euro exchange rates. Whilst there is some natural hedging between some income and expenditure in these currencies, 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 £21k (2020: £23k).

**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 two customers that represented more than 10% of revenue in 2021 (2020: one customer). The Company helps mitigate its financial risk by charging annual licence fees in advance where possible. During the year a bad debt expense of £17k (2020: £nil) relating to 2020 revenues booked from an end customer who refused to honour their contract.

**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 native 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 Azure and Google Cloud Platform.

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. On the Blackbird platform 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. Further to the recent fundraise to enable 'Powered by Blackbird' products to be prototyped, market-tested and launched in new markets there is increased risk around developing products and entering into new markets.

**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 and APIs to ensure that our security and systems are robust. The last test was performed and passed in December 2021. The Company continues to maintain its SOC 2 Type II compliance demonstrating its commitment to ensure that it has adequate procedures, processes and controls in place to protect our customers content and data. The last accreditation was awarded in January 2022. The Company reviews its ongoing risk and 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. In June 2021, the EU commission accepted the transfer of data between the European Union and the United Kingdom under GDPR to be adequate allowing for seamless continuation of our business with our European customers**.**

**Coronavirus**

COVID-19 brought uncertainty to all businesses. Whilst to date, the Company has been operationally resilient, working remotely for much of the time, 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 2021, 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 for the core Blackbird platform in previous annual reports and presented this and progress against it to all shareholders at the time of our results announcements and also to our employees so that they are clear how we intend to scale the business. At the time of the recent fundraise, we presented the growth opportunities outside of video editing to both shareholders and employees to ensure that they were aligned with our plans to extract full value from our core technology.

**Stakeholders and risk management**
As part of the QCA Corporate Governance code (see Page 20), we have identified our key stakeholders and actively taken steps to widen our engagement with them. In 2020 the Company joined the Investor Meet platform. In 2021 shareholders were invited to listen to and engage with management during the results announcement and at the time of the placing and participate in Q&A afterwards. Management also took part in Investor summits targeting potential U.S. shareholders after the launch of cross trading of the Company's shares on the OTCQX Best platform. We will continue to promote our story in this market which should increase liquidity, to the benefit of all shareholders. 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-bribery 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**
During the year, through our white paper 'Video Shouldn't cost the Earth', we 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. We will continue to promote this message and work with other like-minded companies within the industry to drive change.

**ON BEHALF OF THE BOARD:**

........................................................................

Stephen White
Chief Operating and Financial Officer
4 March 2022

# REPORT OF THE DIRECTORS
# FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report with the financial statements of the Company for the year ended 31 December 2021.

## PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was the commercial exploitation of a cloud native video editing and publishing 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 2021 (2020: £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
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 | 62,660,000 |
| I McDonough | Ordinary shares of 0.8 pence | 9,315,379 | 7,930,236 |
| SJ White | Ordinary shares of 0.8 pence | 416,735 | 307,333 |
| A Bentley | Ordinary shares of 0.8 pence | 350,154 | 101,249 |
| DP Main | Ordinary shares of 0.8 pence | 1,162,143 | 1,107,143 |
| DE Airey | Ordinary shares of 0.8 pence | 71,429 | 71,429 |
| JK Honeycutt | Ordinary shares of 0.8 pence | 50,460 | - |

## ARRANGEMENTS TO PURCHASE SHARES

According to the register of directors' interests, any movement in the rights to subscribe for shares in the Company granted to any of the directors or their immediate families are 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 | | | | 1,250,000 | 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 | 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 30.75p. The highest closing market price during the year was 40.0p and the lowest closing market price was 18.0p.

**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:

| | | |
|---|---|---|
| 62,660,000 | 17.1% | SB Streater |
| 60,745,561 | 16.5% | Premier Miton Group plc |
| 27,536,159 | 7.5% | I McDonough & family |
| 19,625,001 | 5.3% | Canaccord Genuity Group Inc |
| 18,158,382 | 4.9% | Schroders plc |

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

The Company made £nil in charitable donations in the year (2020: £nil).

**AUDIT COMMITTEE**

The Audit Committee comprises David Main (Chairman) and Andrew Bentley. In the period since the last Directors' Report it met nine 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 2021 and the Annual Report and Statutory Accounts of the Company for the year ended 31 December 2021 giving particular attention to any changes in the year and material items 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 2021 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 2021. 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 ten 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

Directors' remuneration is disclosed in Note 3 of the Financial Statements.

## SHARE OPTION AND LONG-TERM INCENTIVE SCHEMES

In the 12 months to 31 December 2021, 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 |
|---|---|---|---|---|---|
| 20 April 2021 | 1,420,000 | 25 | 23.9167 | 20 April 2024 | 19 April 2031 |
| 21 October 2021 | 1,115,000 | 26 | 31.5 | 21 October 2024 | 20 October 2031 |

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 did not award any LTIP units in 2021. Units issued under its Long Term Incentive Plan at 31 December 2021 are detailed below. Full details of the Plan can be found under the investor's section on the Company's website. Note 12 to the accounts on Page 47 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 and, as part of our white paper 'Video shouldn't cost the earth', Blackbird was shown to generate up to 91% less carbon emissions. Blackbird has been recognised for our work in this area, being awarded the London Stock Exchange's Green Economy Mark and, in December 2021, the International Association of Broadcast Manufacturers' (IABM) inaugural 'Environmental Sustainability' award.

- **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. Research showed that Blackbird had up to 75% lower infrastructure costs than competitive solutions
  - 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 4 March 2022.

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.<br><br>As an independent external consultant, the Company Secretary attends all shareholders meetings but does not attend meetings of the board and board committees. The Company's Chief Operating & Financial Officer remains responsible for circulating board and board committee papers and setting meeting agendas in consultation with the board and committee chairs and for induction of officers and staff.<br><br>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 Accounting Standards as adopted by the UK and in accordance with the Companies Act 2006 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: 4 March 2022

## 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 2021 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 UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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 2022 and 2023, based on contracted revenue to date for 2022 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.

| Key Audit Matters | How our scope addressed this matter |
|---|---|
| *Development costs carrying value*<br><br>The revenue of the company has grown in 2021 and the loss for the year was higher than in the prior year and 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. | 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.<br><br>We evaluated the ability of the company to fully realise the carrying value of capitalized development costs by generating future revenues, profits and cash flows, in order to determine whether an impairment provision was required.<br><br>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.<br><br>Based on the work performed, we considered that the company's conclusion that no impairment was required was appropriate |
| *Revenue recognition- licensing of technology*<br><br>The company's revenue has increased in 2021 and includes a new technology licensing revenue stream branded as 'Powered by Blackbird'. As this was a new revenue stream for 2021, we considered that there was a risk that this revenue may not have been recognised in line with IFRS 15 and therefore give rise to material misstatement. | We reviewed the company's assessment of revenue recognition.<br><br>We performed a detailed review of the contractual terms to identify the relevant clauses and performance obligations that determine revenue recognition under IFRS 15.<br><br>Based on the work undertaken, we considered that revenue was recognised in line with IFRS 15 and therefore the amount recognised was materially correct. |

**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 £107,361, 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 £53,680.

We agreed to report to the Audit Committee all audit differences in excess of £5,368, 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 21, 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.

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.

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

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

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.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

**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

4 March 2022

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 2021

**Income statement and statement of comprehensive income**

| | Notes | 2021 £ | 2020 £ |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | 2 | 2,066,271 | 1,567,109 |
| Cost of Sales | | (155,691) | (163,338) |
| **GROSS PROFIT** | | 1,910,580 | 1,403,771 |
| Other income | | - | - |
| Operating costs excluding LTIP provision | | (3,107,283) | (2,721,465) |
| **EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION, EMPLOYEE SHARE OPTION COSTS AND LTIP PROVISION (EBITDA Pre LTIP)** | | (1,196,703) | (1,317,694) |
| LTIP provision | | (357,712) | (98,227) |
| **EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION, EMPLOYEE SHARE OPTION COSTS (EBITDA)** | | (1,554,415) | (1,415,921) |
| Depreciation | | (117,199) | (108,681) |
| Amortisation | | (337,078) | (275,935) |
| Employee share option costs | 17 | (176,583) | (138,933) |
| | | (630,860) | (523,549) |
| **OPERATING LOSS** | 4 | (2,185,275) | (1,939,470) |
| Net Finance income | 5 | 18,382 | 33,451 |
| **LOSS BEFORE INCOME TAX** | | (2,166,893) | (1,906,019) |
| Income tax | 6 | 32,167 | 25,415 |
| **LOSS FOR THE YEAR** | | (2,134,726) | (1,880,604) |
| Other comprehensive income | | - | - |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | (2,134,726) | (1,880,604) |

| | | | |
|---|---|---|---|
| Earnings per share expressed in pence per share | | | |
| Basic – continuing and total operations | 7 | (0.63p) | (0.56p) |
| `Fully diluted – continuing and total operations | | (0.63p) | (0.56p) |

## STATEMENT OF FINANCIAL POSITION
## FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | 2021<br>£ | 2020<br>£ |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | 8 | 1,195,736 | 1,105,657 |
| Property, plant and equipment | 9 | 256,655 | 308,565 |
| | | 1,452,391 | 1,414,222 |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 10 | 395,315 | 292,834 |
| Stock | | 895 | 15,728 |
| Current tax assets | | 32,167 | 25,415 |
| Short-term investments | | 4,169,186 | 1,617,820 |
| Cash and bank balances | | 8,670,274 | 4,928,021 |
| | | 13,267,837 | 6,879,818 |
| **TOTAL ASSETS** | | 14,720,228 | 8,294,040 |
| **EQUITY AND LIABILITES** | | | |
| **CAPITAL AND RESERVES** | | | |
| Issued share capital | 11 | 2,940,524 | 2,696,433 |
| Share premium | | 34,034,228 | 26,516,613 |
| Capital contribution reserve | | 125,000 | 125,000 |
| Retained earnings | | (24,156,905) | (22,198,762) |
| **TOTAL EQUITY** | | 12,942,847 | 7,139,284 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease and other payables | 12,13 | 131,908 | 324,044 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | 1,645,473 | 830,712 |
| **TOTAL LIABILITIES** | | 1,777,381 | 1,154,756 |
| **TOTAL EQUITY AND LIABILITIES** | | 14,720,228 | 8,294,040 |

The financial statements were approved by the Board of Directors on 4 March 2022 and were signed on its behalf by:

Andrew Bentley
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A Bentley – Director

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SJ White – Director



BLACKBIRD

## STATEMENTS OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2021

| | Issued share capital £ | Retained earnings £ | Share premium £ | Capital contribution reserve £ | Total equity £ |
|---|---|---|---|---|---|
| **Balance at 1 January 2020** | 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 issue expenses | - | - | - | - | - |
| 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 |
| **Changes in equity** | | | | | |
| Issue of share capital | 244,091 | - | 7,517,615 | - | 7,761,706 |
| Share based payment | - | 176,583 | - | - | 176,583 |
| Total comprehensive loss for the year | - | (2,134,726) | - | - | (2,134,726) |
| **Balance at 31 December 2021** | 2,940,524 | (24,156,905) | 34,034,228 | 125,000 | 12,942,847 |

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | 2021<br>£ | 2020<br>£ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash used in operations | A | (901,066) | (1,089,946) |
| Interest paid on lease liabilities | | (11,979) | (16,059) |
| Tax received | | 25,415 | 32,424 |
| Net cash from operating activities | | (887,630) | (1,073,581) |
| **Cash flows from investing activities** | | | |
| Payments for intangible fixed assets | | (443,657) | (425,848) |
| Payments for property, plant and equipment | | (65,288) | (26,203) |
| Transfer into short-term investments | | (2,551,366) | (1,617,820) |
| Interest received | | 25,393 | 43,172 |
| Net cash from investing activities | | (3,034,918) | (2,026,699) |
| **Cash flows from financing activities** | | | |
| Share issues (net of expenses) | | 7,761,706 | 159,631 |
| Payment of lease liabilities | | (96,905) | (96,821) |
| Net cash from financing activities | | 7,664,801 | 62,810 |
| Increase/(Decrease) in cash and cash equivalents | | 3,742,253 | (3,037,470) |
| Cash and cash equivalents at beginning of year | B | 4,928,021 | 7,965,491 |
| **Cash and cash equivalents at end of year** | **B** | 8,670,274 | 4,928,021 |

## NOTES TO THE STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2021

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

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Loss before income tax | (2,166,893) | (1,906,019) |
| Depreciation | 117,199 | 108,681 |
| Amortisation charges | 337,078 | 275,935 |
| Employee share option costs | 176,583 | 138,933 |
| Net Finance income | (18,382) | (33,451) |
| **Earnings before interest, taxation, depreciation and amortisation** | (1,554,415) | (1,415,921) |
| Movements in working capital: | | |
| (Increase) / decrease in trade and other receivables | (94,401) | 202,145 |
| Increase in trade and other payables | 747,750 | 123,830 |
| **Cash used in operations** | (901,066) | (1,089,946) |

### 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 2021**

| | 31/12/21<br>£ | 1/1/21<br>£ |
|---|---|---|
| Cash and cash equivalents | 8,670,274 | 4,928,021 |

**Year ended 31 December 2020**

| | 31/12/20<br>£ | 1/1/20<br>£ |
|---|---|---|
| Cash and cash equivalents | 4,928,021 | 7,965,491 |

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 Accounting Standards as adopted by the UK, and in accordance with the Companies Act 2006. These accounts have been prepared under the historical cost convention.

**Going concern**

The Company incurred a loss after tax for the year of £2,134,726 (2020: loss of £1,880,064). During the year, the Company continued to build sales momentum with revenue increasing by 32% year on year. The Company became a technology licensor for the first time in September, securing its largest ever deal with a global broadcast company. This will add an additional route to market in the professional video editing space and when the product is launched with 'Powered by Blackbird' co-branding will drive further awareness of the brand. Sales from Original Equipment Manufacturers (OEM) partnerships which are also important to accelerate sales growth were up 43% year on year, through adding Eurovision and expanding our TownNews utilisation to 80 U.S. local stations. The Company starts the year with contracted but unrecognised revenues of £1,810,873 for 2022 up 78% on the prior year comparative (2020: £1,058,327), which is subject to exchange rate fluctuations.

The Company 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 £1,468,087 (2020: £1,579,281). In December 2021, the Company conducted a successful £8.0 million (before expenses) fundraise to exploit its' IP in other markets outside of professional video editing. At 31 December 2021 the Company had £12,839,460 (2020: £6,545,841) held in cash and short-term investments.

The Directors have prepared a budget for continuing growth seen in 2022 off a cost base which will continue to be closely managed and support future growth. During the year the Company brought onboard additional sales resource to drive further growth from OEM partners and, together with additional 'Powered by Blackbird' deals, aim to move 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.

**New and Revised Standards**

**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 UK. 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
- IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IAS 1 – Presentation of Financial Statements – Disclosure of Accounting policies
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

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 and publishing 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.

The Company also entered into its first technology licensing deal during the year. Development fees, being the only revenue item recognised from this deal to date, are recognised when the work has been completed, performance obligations have been met and the fees are non-refundable.

For all types of revenue shown in the segmental analysis in Note 2 (page 38) 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 38) 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 2021 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.

**ACCOUNTING POLICIES – continued**

**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.

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.

**ACCOUNTING POLICIES – continued**

**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 a 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 £1,195,736 comprises development costs recognised on the basis described in the accounting policy note on page 36 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. 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 38. 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**

| | 2021<br>£ | 2020<br>£ |
|---|---:|---:|
| Accrued revenue at 1 January | 2,738 | 21,566 |
| Invoiced sales (released)/accrued in the year | 5,451 | (18,828) |
| Accrued revenue at 31 December | 8,189 | 2,738 |

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**

| | 2021<br>£ | 2020<br>£ |
|---|---:|---:|
| Deferred revenue at 1 January | 398,801 | 295,221 |
| Invoiced sales deferred in the year | 176,410 | 103,580 |
| Deferred revenue at 31 December | 575,211 | 398,801 |

The change in the value of contract liabilities is the result of an increase in invoiced sales for 2021 at 31 December 2021 compared to the prior year comparative.

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

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 and this information is regularly reviewed by the Chief Operating Decision Maker 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:

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| UK | 407,071 | 461,601 |
| North America | 1,255,652 | 968,251 |
| Europe | 339,822 | 74,130 |
| Rest of World | 63,726 | 63,127 |
| Total | 2,066,271 | 1,567,109 |

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:

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| News | 554,532 | 434,296 |
| Sport | 692,157 | 540,810 |
| Other Entertainment | 625,325 | 506,655 |
| Other | 57,076 | 85,348 |
| Powered by Blackbird | 137,181 | - |
| Total | 2,066,271 | 1,567,109 |

| In addition by revenue type: | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Licence and usage fees | 1,865,100 | 1,506,245 |
| Hardware | 17,950 | 4,500 |
| Professional services | 46,040 | 56,364 |
| Development Fees | 137,181 | - |
| Total | 2,066,271 | 1,567,109 |

During the year, sales to two customers each accounted for more than 10% of the total revenue. Total sales to the largest customer amounted to £331,380.

3. **EMPLOYEES AND DIRECTORS**

| | 2021 £ | 2020 £ |
|---|---|---|
| Wages and salaries | 1,958,391 | 1,799,100 |
| Social security costs | 219,019 | 197,343 |
| Employers pension contributions | 49,982 | 42,782 |
| | 2,227,392 | 2,039,225 |

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

| | 2021 £ | 2020 £ |
|---|---|---|
| Wages and salaries | 1,628,470 | 1,483,666 |
| Social security costs | 186,765 | 168,242 |
| Employers pension contributions | 49,982 | 42,782 |
| | 1,865,217 | 1,694,690 |

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

| | 2021 | 2020 |
|---|---|---|
| Directors | 3 | 3 |
| Research and development | 11 | 9 |
| Sales | 4 | 3 |
| Product, Operations and Customer support | 8 | 6 |
| Marketing | 1 | 1 |
| Admin and finance | 1 | 1 |
| | 28 | 23 |

Directors' remuneration and benefits

| | 2021 £ Remuneration | 2021 £ Pension | 2021 £ Benefits | 2020 £ Remuneration | 2020 £ Pension | 2020 £ Benefits |
|---|---|---|---|---|---|---|
| I McDonough | 214,765 | 5,250 | 1,934 | 217,684 | 5,250 | 1,920 |
| SB Streater | 150,000 | 4,500 | 2,326 | 150,000 | 4,500 | 2,336 |
| SJ White | 128,333 | 3,850 | 948 | 120,000 | 3,600 | 698 |
| DP Main | 25,000 | 375 | 2,195 | 25,000 | 750 | 3,164 |
| A Bentley | 45,000 | - | 1,211 | 45,000 | - | 1,830 |
| DE Airey | 20,000 | - | - | 20,000 | - | - |
| JK Honeycutt | 20,008 | - | - | 10,389 | - | - |
| | 603,106 | 13,975 | 8,614 | 588,073 | 14,100 | 9,947 |

## 4. OPERATING LOSS

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

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Operating leases | - | - |
| Foreign exchange differences | (20,699) | (23,135) |
| Research and development | (342,584) | (218,437) |
| Auditor's remuneration | (29,536) | (25,500) |
| Auditor's remuneration – non audit – all other services | (28,119) | (40,940) |
| **Earnings before interest, taxation, depreciation and amortisation** | (1,554,415) | (1,415,921) |
| Depreciation – owned assets | (117,199) | (108,681) |
| Development costs amortisation | (337,078) | (275,935) |
| Employee share option costs | (176,583) | (138,933) |
| **Operating loss (before interest and taxation)** | (2,185,275) | (1,939,470) |

## 5. NET FINANCE INCOME

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Finance income: | | |
| Deposit account interest | 30,361 | 49,510 |
| Finance costs: | | |
| Interest on lease liability | (11,979) | (16,059) |
| Net finance income | 18,382 | 33,451 |

## 6. INCOME TAX

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Current tax: | | |
| Tax credit | 32,167 | 25,415 |
| Total tax credit in income statement | 32,167 | 25,415 |

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:

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Loss on ordinary activities before tax | (2,166,893) | (1,906,019) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.0% (2020 –19%) | (411,710) | (362,143) |
| Effects of: | | |
| Expenses not deductible for tax | 269 | 1,559 |
| Depreciation (in excess of)/lower than capital allowances | (10,004) | (3,593) |
| Non-trade interest expense | 2,276 | 3,051 |
| UK Tax losses | 416,327 | 362,085 |
| Additional relief for R&D expenditure | (23,823) | (18,823) |
| Timing difference on capitalised development costs | (32,592) | (22,900) |
| Share option exercise | (74,426) | (29,710) |
| LTIP provision | 67,965 | 18,662 |
| Employee share option cost | 33,551 | 26,397 |
| Total income tax | (32,167) | (25,415) |

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

| | | 2021<br>£ | |
|---|---|---|---|
| | Gross | Tax | Net |
| Employee share option cost | (176,583) | - | (176,583) |

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

UK Tax losses of approximately £22,493,000 (2020: £20,523,000) are available to relieve against future profits of the Company.

| Unrecognised deferred tax assets | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Tax losses carried forward | 5,623,304 | 3,899,370 |
| | 5,623,304 | 3,899,370 |

6. **INCOME TAX - Continued**

2021 unrecognised deferred tax asset is calculated at a rate of 25% (2020: 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.

| | 2021 | 2020 |
|---|---|---|
| Loss attributable to equity holders of the company (£) | (2,134,726) | (1,880,604) |
| Weighted average number of ordinary shares in issue | 338,474,408 | 336,136,928 |
| Basic earnings per share (pence per share) | (0.63p) | (0.56p) |

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.

| | 2021 | 2020 |
|---|---|---|
| Loss used to determine diluted earnings per share (£) | (2,134,726) | (1,880,604) |
| Weighted average number of ordinary shares in issue | 338,474,408 | 336,136,928 |
| Share options | 27,050,000 | 26,785,000 |
| Weighted average number of ordinary shares used to determine diluted earnings per share | 365,524,408 | 362,921,928 |
| Diluted earnings per share (pence per share) | (0.58p) | (0.52p) |

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 2021 | 3,927,631 | 90,000 | 4,017,631 |
| Additions | 427,157 | - | 427,157 |
| At 31 December 2021 | 4,354,788 | 90,000 | 4,444,788 |
| **AMORTISATION** | | | |
| At 1 January 2021 | 2,911,974 | - | 2,911,974 |
| Amortisation for year | 337,078 | - | 337,078 |
| At 31 December 2021 | 3,249,052 | - | 3,249,052 |
| **NET BOOK VALUE** | | | |
| At 31 December 2021 | 1,105,736 | 90,000 | 1,195,736 |
| At 31 December 2020 | 1,015,657 | 90,000 | 1,105,657 |

| | 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 |

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 37).

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 2021 | 431,988 | 103,874 | 62,175 | 406,068 | 237,265 | 1,241,370 |
| Additions | - | - | - | 11,935 | 53,354 | 65,289 |
| Reclassification | - | - | - | (6,642) | 6,642 | - |
| At 31 December 2021 | 431,988 | 103,874 | 62,175 | 411,361 | 297,261 | 1,306,659 |
| **DEPRECIATION** | | | | | | |
| At 1 January 2021 | 145,811 | 101,101 | 62,175 | 388,738 | 234,980 | 932,805 |
| Charge for year | 86,398 | 832 | - | 12,008 | 17,961 | 117,199 |
| Reclassification | | | | (991) | 991 | - |
| At 31 December 2021 | 232,209 | 101,933 | 62,175 | 399,755 | 253,932 | 1,050,004 |
| **NET BOOK VALUE** | | | | | | |
| At 31 December 2021 | 199,779 | 1,941 | - | 11,606 | 43,329 | 256,655 |
| At 31 December 2020 | 286,177 | 2,773 | - | 17,330 | 2,285 | 308,565 |

| | 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 |
| Disposals | - | - | - | - | - | - |
| 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 |

## 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 taken 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.

## 10. TRADE AND OTHER RECEIVABLES

| Current: | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Trade debtors | 68,194 | 102,230 |
| Less: provision for doubtful receivables | (-) | (3,000) |
| Trade debtors net of provision for doubtful receivables | 68,194 | 99,230 |
| Other debtors | 215,360 | 112,166 |
| Accrued income | 21,677 | 11,258 |
| Prepayments | 90,084 | 70,180 |
| | 395,315 | 292,834 |

Included in other debtors is a rental deposit of £19,175 (2020: £19,175) which is subject to a charge.

The average credit period on trade sales is 45 days. Standard credit terms are 30 days. Included within trade debtors are balances totalling £57,943 (2020: £53,303) which are beyond agreed credit terms but are not subject to impairment. Cash of £66,718 from trade debtors at 31 December 2021 has been received post year end.

## 11. CALLED UP SHARE CAPITAL

| **Called up and fully paid:** | 2021<br>£ | 2020<br>£ |
|---|---|---|
| 367,565,521 ordinary shares of 0.8p each (2020: 337,054,092 ordinary shares of 0.8p each) | 2,940,524 | 2,696,433 |

## 11. CALLED UP SHARE CAPITAL – Continued

During the year the Company issued 2,535,000 (2020 – 4,865,000) share options under the terms of the share option schemes. The total share options outstanding as at 31 December 2021 was 27,050,000 (2020:26,785,000).

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

| | Class of share | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| SB Streater | Ordinary shares of 0.8 pence | 1,770,000 | 1,770,000 |
| 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 | 1,750,000 |
| A Bentley | Ordinary shares of 0.8 pence | 960,000 | 960,000 |
| DP Main | Ordinary shares of 0.8 pence | 1,680,000 | 1,735,000 |
| DE Airey | Ordinary shares of 0.8 pence | 560,000 | 560,000 |
| JK Honeycutt | Ordinary shares of 0.8 pence | 325,000 | 325,000 |

## 12. TRADE AND OTHER PAYABLES

| Current: | 2021 £ | 2020 £ |
|---|---|---|
| Trade creditors | 74,609 | 31,913 |
| Social security and other taxes | 81,266 | 59,645 |
| Lease Liability | 89,388 | 96,905 |
| LTIP Provision | 455,939 | - |
| Licence Liability | 16,500 | 16,500 |
| Other creditors | 165,755 | 73,817 |
| Deferred income | 575,211 | 398,801 |
| Accruals | 186,805 | 153,131 |
| | 1,645,473 | 830,712 |

| Non-Current: | 2021 £ | 2020 £ |
|---|---|---|
| Lease liability | 123,658 | 201,067 |
| LTIP provision | - | 98,227 |
| Licence Liability | 8,250 | 24,750 |
| | 131,908 | 324,044 |

12. **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.

No additional awards were made under the scheme during the year. At the year end the Company had issued 496.9 LTIP1 units and 518.1 LTIP2 units including the below awards made to Directors:

| | 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 has been recognised evenly over the current LTIP period of 1 January 2019 to 31 December 2021. An expense of £357,712 was recognised in the Comprehensive Income statement for the period and a similar amount for a provision under Current liabilities.

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

| | |
|---|---|
| Expected Volatility | 61.82% |
| Expected Dividends | 0% |
| Time to exercise (years) | 0.26 |
| Risk free rate | 0.69% |

The LTIP provision calculated at 31 December 2021 was based on a 30.75 pence share price. In 2022, with amongst other items a sell-off in global technology stocks and the escalating crisis in Ukraine, the Company's share price has fallen. The share price could rise or fall further prior to the LTIP payout resulting in a material difference between the 31 December 2021 LTIP provision and the LTIP payout.

13. **LEASING AGREEMENTS**

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

| | 2021 £ | 2020 £ |
|---|---|---|
| In the next 12 months | 89,388 | 96,905 |
| Between one and five years | 123,658 | 201,067 |

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

## 14. FINANCIAL ASSETS AND LIABILITIES

The Company's financial assets and liabilities comprise trade debtors, trade creditors, cash, liquid assets and short-term investments.
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 14.

## 15. RELATED PARTY DISCLOSURES

During the year, Ian McDonough and his family subscribed for 1,357,143 new ordinary shares in the Company at a price of 28p per new ordinary share as part of a placing of new ordinary shares that was announced by the Company on 8 December 2021.

Premier Miton Group plc ("Premier Miton"), a substantial shareholder, also participated in the placing of new ordinary shares that was announced on 8 December 2021. Premier Miton subscribed for 3,428,571 new ordinary shares at a price of 28p per new ordinary share.

Fees amounting to £0 (2020: £950) were paid to the wife of Ian McDonough.

## 16. ULTIMATE CONTROLLING PARTY

At 31 December 2021 there was no ultimate controlling party of the Company.

## 17. 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. 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.

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

| Exercise price (£) | Date granted | Range of dates exercisable | Number of shares for which rights are exercisable at 31/12/2021 | Number of shares for which rights are exercisable at 31/12/2020 |
|---|---|---|---|---|
| **Non-tax advantaged** | | | | |
| 0.1275 | 06/10/2011 | 06/10/2014-05/10/2021 | - | 780,000 |
| **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 | 650,000 | 725,000 |
| 0.19 | 23/09/2014 | 23/09/2017-22/09/2024 | 510,000 | 535,000 |
| 0.0825 | 11/05/2015 | 11/05/2018-10/05/2025 | 150,000 | 170,000 |
| 0.05875 | 18/11/2015 | 18/11/2018-17/11/2025 | 425,000 | 550,000 |
| 0.085 | 07/06/2016 | 07/06/2019-06/06/2026 | 630,000 | 760,000 |
| 0.06 | 31/03/2017 | 31/03/2020-30/03/2027 | 1,750,000 | 1,950,000 |
| 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 | 1,425,000 | 1,700,000 |
| 0.0525 | 15/09/2018 | 15/09/2021-14/09/2028 | 2,970,000 | 3,330,000 |
| 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 | 2,290,000 |
| 0.16 | 19/12/2019 | 19/12/2022-18/12/2029 | 4,385,000 | 4,385,000 |
| 0.16 | 07/05/2020 | 07/05/2023-06/05/2030 | 2,820,000 | 2,870,000 |
| 0.1667 | 08/06/2020 | 08/06/2023-07/06/2030 | 200,000 | 200,000 |
| 0.1854 | 26/06/2020 | 26/06/2023-25/06/2030 | 250,000 | 250,000 |
| 0.185 | 09/10/2020 | 09/10/2023-08/10/2030 | 1,365,000 | 1,515,000 |
| 0.23917 | 20/04/2021 | 20/04/2024-19/04/2031 | 1,360,000 | - |
| 0.315 | 21/10/2021 | 21/10/2024-20/10/2031 | 1,095,000 | - |

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

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

| | 2021 Weighted average exercise price (£) | 2021 Number of options | 2020 Weighted average exercise price (£) | 2020 Number of options |
|---|---|---|---|---|
| Outstanding at the beginning of the period | 0.121 | 26,785,000 | 0.115 | 25,410,000 |
| Granted during the period | 0.273 | 2,535,000 | 0.172 | 4,865,000 |
| Forfeited during the period | 0.202 | 280,000 | 0.099 | 625,000 |
| Exercised during the period | 0.092 | 1,940,000 | 0.088 | 1,815,000 |
| Lapsed during the period | 0.128 | 50,000 | 0.293 | 1,050,000 |
| Outstanding at the end of the period | 0.137 | 27,050,000 | 0.121 | 26,785,000 |
| Exercisable at the end of the period | 0.101 | 13,285,000 | 0.130 | 9,645,000 |

The options outstanding at the year-end have an exercise price in the range of £0.04 to £0.315 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:

| | 2021 | 2020 |
|---|---|---|
| Expected volatility (expressed as % used in the modelling under Black-Scholes model) | 66.68% | 63.17% |
| 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) | 0.92% | 0.23% |
| Weighted average fair value of options granted | £0.1375 | £0.0819 |
| Weighted average share price | £0.271286 | £0.171870 |
| Exercise price | £0.272521 | £0.172346 |

17. **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:

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Equity settled share based (credits)/payments | 176,583 | 138,933 |