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## Pebble Beach Systems Group PLC

# Half-year Report

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Pebble Beach Systems Group PLC

23 August 2023

### **Pebble Beach Systems Group plc**

### **Results for the half-year ended 30 June 2023**

Pebble Beach Systems Group plc (AIM: "PEB", "Pebble" or the "Group"), a leading global software business specialising in playout automation, content management and IP Control solutions for the broadcast and streaming service markets, is pleased to announce its unaudited half-year results for the six months ended 30 June 2023 ("H1 23").

### **Financial highlights**

- Revenue up 9% to £5.5m (H1 22: £5m) with recurring revenue up 13% to £2.53m (H1 22: £2.24m)
- Order intake in the period of £4.4m (H1 22: £5m) as economic nervousness caused some clients to defer non-essential spend
- Adjusted EBITDA<sup>1</sup> of £1.4m is marginally up against the last year comparable period (H1 22: £1.3m), representing 25% of revenue (H1 22: 26%)
- Profit before tax of £0.2m (H1 22: £0.3m)
- Adjusted earnings per share down to 0.2p (H1 22: 0.4p)
- Net cash generated from operating activities (after interest paid and IFRS 16 lease payments) was £1.7m (H1 22: £0.6m)
- Gross bank debt reduced by £0.5m in last six months to £6.1m as at 30 June 2023. Net debt at 30 June 2023 was £5.1m representing a net debt/last 12 month Adjusted

EBITDA<sup>1</sup> of c.1.6x

## **Operational highlights**

- Hardware delivery lead times are coming back down to pre-COVID levels. This is reducing the need for buffer stock and our new Chief Operating Officer is working to reduce the buffer levels.
- Investment in our new IP-native Oceans platform continues as planned.
- Neil Maycock appointed as new Chief Commercial Officer. Neil brings a wealth of industry experience and knowledge from his time at Grass Valley. Neil will work closely with our product and sales teams to strengthen our commercial offering.
- Significant success in the Middle East with 2 new deals with existing customers with an order value of £0.65m. These deals are validation of the excellent support and superior technology we offer.
- £0.36m order placed by a Spanish state broadcaster, with Pebble beating strong competition to win this order.
- A key new win in Brazil, where our excellent local resellers sold a new system to a state broadcaster with an order value of £0.13m.

## **Current trading and outlook**

- The Company's existing weighted pipeline value remains strong at £8.7m (June 22: £7.4m) and we are receiving many enquiries following a competitor's announcement to end of life their playout automation solutions, so we expect this pipeline value to grow.
- Strength of pipeline and level of customer engagement provides management with confidence in delivering full year growth despite the reduced order intake in the first half, highlighting the resilience of the Company and its ability to deliver project backlog.

## **John Varney, Non-Executive Chairman of Pebble Beach Systems Group plc, said:**

"The Company has delivered a robust performance for the first half of 2023, despite a delay in new order intake.

Our continued long-term aim of investing in new software solutions whilst reducing our overall indebtedness remains central to our strategy to ensure we continue to be well positioned to benefit from the industry transition to IP as full-scale adoption occurs.

The Board continues to have confidence that the Group can deliver a strong second half with improved revenue and achieve the Board's expectations for the year.

## Notes

<sup>1</sup> *Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) a non-GAAP measure, is EBITDA before non-recurring items and foreign exchange gains/losses.*

## For further information please contact:

Peter Mayhead - CEO

+44 (0) 75 55 59 36 02

## finnCap Ltd (Nominated Adviser and Broker)

Marc Milmo / Teddy Whiley - Corporate Finance

+44 (0) 207 220 0500

Tim Redfern / Sunila de Silva - ECM

The Company is quoted on the LSE AIM market (PEB.L). More information can be found at [www.pebbleplc.com](http://www.pebbleplc.com).

## About Pebble Beach Systems

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

## Forward-looking statements

*Certain statements in this announcement are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast.*

## **CHAIRMAN'S STATEMENT**

### **Introduction**

We have performed well in what has been a challenging start to the year, with a 9% increase in revenue on the comparable period last year. This is despite new order intake slipping as a result of economic nervousness and customers delaying decisions on non-revenue generating upgrades. Despite this slippage, we are expecting an uptick in H2 23 and a stronger second half, consistent with what has happened in the last two years. Our existing pipeline value remains high, and we can see new opportunities arising from a leading competitor's decision to end of life their playout solutions.

It was hoped that a strong H1 would allow further investment into our sales department to facilitate market growth, however this has now been postponed to mitigate the slippage in orders we have been experiencing.

The Board is pleased that through careful cashflow management, the Company has been able to continue to improve its balance sheet. At 30 June 2023, net debt accounts for only 1.6x the annual EBITDA of £3.3m for the 12 months to 30 June 2023, bringing the business's net debt position to a more acceptable level.

### **Financial performance**

Good revenue performance in H1 is showing a 9% increase on the comparable period last year to £5.5m (H1 22: £5.0m). I am pleased to announce recurring revenue is also

up 13% to £2.53m (H1 22: £2.24m) and now accounts for 46% of our revenue base (H1 22: 44%). This is encouraging for the future years' revenue.

Adjusted EBITDA<sup>1</sup> increased to £1.4m (H1 22: £1.3m), representing 25% of revenue (H1 22: 26%), following planned investment in headcount including the appointment of a new Chief Commercial Officer in May. As a result of this investment in headcount adjusted EBITDA margin is lower at 25% (H1 22: 26%), but this is expected to recover in line with full year expectations thanks to an increase in revenue in H2.

Cash conversion in H1 23 has remained strong with 145% of adjusted EBITDA being converted to operating cash (H1 22: 62%). Net cash from operating activities (after interest paid and IFRS 16 lease payments) rose to £1.6m (H1 22: £0.6m); this has allowed the Group to continue investing in R&D and paying down the long-term debt.

The Group's net debt position of £5.1m represents an 18% drop from the comparable period last year (H1 22: £6.3m). This reflects a stronger cash position from the comparable period last year and the Group continuing to pay off the long-term debt at the same rate as last year.

Investment in R&D of £0.9m in the period remains flat year on year following headcount investment in 2022 as part of the Group's strategic plan of product developments (H1 22: £0.9m).

An increase in financing costs as a result of rising interest rates resulted in net profit of £0.24m (H1 22: £0.26m) being slightly down for the year. The current interest rate on loan repayments is 8.22% (H1 22: 5.37%). This has resulted in an adjusted EPS of 0.2p (H1 22: 0.4p).

### **Operational performance**

A slight reduction in orders to £4.4m (H1 22: £5m), is a result of delays in placing orders due to economic nervousness seen across the industry. I am pleased the weighted pipeline value remains strong at £8.7m (H1 22: £7.4m), which gives the Board confidence the Business will have a stronger H2.

There have been some significant wins and the Board is pleased that Pebble was able to fortify its relationship with two key customers in the Middle East with new orders worth £0.65m.

Three significant orders in Europe totalling £0.7m were won in H1. Two orders were for system and hardware refreshes, and one was a new automation system.

### Ongoing software development

- Oceans Automation. Work continues on a cloud-native playout solution to complement our current enterprise level automation offering.
- Media Processing Engine. Work is progressing on the software solution for video playout capability with preliminary integration with Oceans Automation achieved. The next milestones will include APIs, graphics management and subtitling.
- Pebble Control. Development of the IP control tool is advancing with added control functionality with the release of the first device control version expected by the end of the year. We are co-chairing the work on the new open standards protocol and are simultaneously working on the implementation of it.

### Inventory build

- We have seen inventory lead times drop to pre-COVID levels, reducing the risk of delays to order fulfilment. As a result the operations department is working to reduce our inventory levels and will continue to prioritise using existing stock.

### Cash flows and net debt

The Group held cash and cash equivalents of £0.9 million at 30 June 2023 (H1 2022: £0.8 million). The table below summarises the cash flows for the half year.

	<b>2023</b>	2022
	<b>£'million</b>	£'million
Cash generated from operating activities	<b>1.6</b>	0.6
Net cash used in investing activities	<b>(0.9)</b>	(0.9)

Net cash used in financing activities	<b>(0.5)</b>	(0.5)
Net (decrease)/increase in cash and cash equivalents	<b>0.2</b>	(0.8)
Cash and cash equivalents at 1 January	<b>0.7</b>	1.6
Cash and cash equivalents at 30 June	<b>0.9</b>	0.8

As at 30 June 2023 net debt<sup>2</sup>, excluding the impact of IFRS16, was £5.1 million (cash £0.9 million and bank debt of £6.0 million). The Group was using all £6.0 million of its available facilities at 30 June 2023, having re-paid £0.5 million in the period.

### **Going concern**

The Directors, having made suitable enquiries and analysis of the accounts, consider that the Group has adequate resources to continue in business for the foreseeable future. In making this assessment, which covers a minimum period of twelve months from approval of this half-year report, the Directors have considered the Group's trading forecast, cash flow forecasts, available headroom and projected financial covenants on the banking facility, the levels of opportunities in the pipeline and recurring support revenue (see note 3 below).

### **Principal risks and uncertainties**

The principal risks and uncertainties facing the Group remain consistent with the principal risks and uncertainties reported in the Group's 31 December 2022 Annual Report.

We view supply chain disruption as less of a risk following a decrease in product lead times. This has given the business confidence to lower buffer stock levels back to pre-COVID levels and the Operations department will work to deliver that.

### **Current trading and outlook**

The appointment of a new Chief Commercial Officer, with considerable market experience will help focus our commercial offering and support the sales department in landing new orders. Despite orders slipping in H1, they have not disappeared from the pipeline, which remains encouraging.

We can see a number of new opportunities coming in following our competitor's announcement to end of life their existing automation offerings and the Group is confident that this and other ongoing sales initiatives will lift order levels in the second half.

The strength of the pipeline and the engagement with customers gives the Board confidence that the Group can again deliver a strong second half of the year and deliver against the Board's expectations for the current year.

John Varney

Non-Executive Chairman

## **CONSOLIDATED INCOME STATEMENT**

### **for the half year ended 30 June 2023**

		<b>6 months to 30</b>	<b>6 months to 30</b>	<b>Year ended 31</b>
		<b>June 2023</b>	<b>June 2022</b>	<b>December</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenue	4	<b>5,468</b>	5,038	11,167
Cost of sales		<b>(1,417)</b>	(1,236)	(2,821)
Gross profit		<b>4,051</b>	3,802	8,346
Sales and marketing expenses		<b>(1,289)</b>	(959)	(2,234)
Research and development expenses		<b>(884)</b>	(838)	(1,696)



Administrative expenses		<b>(1,304)</b>	(1,334)	(2,789)
Foreign exchange gains/(losses)		<b>(35)</b>	47	145
Other expenses		-	(257)	(362)
<b>Operating profit</b>	5	<b>539</b>	461	1,41
Operating profit is analysed as:				
Adjusted EBITDA		<b>1,358</b>	1,297	3,166
Non-recurring items		-	(257)	(362)
Share based payment expense		<b>(28)</b>	(20)	(53)
Exchange gains/(losses)		<b>(35)</b>	47	145
credited/(charged) to the income statement				
Earnings before interest, tax, depreciation and amortisation (EBITDA)		<b>1,295</b>	1,067	2,896
Depreciation		<b>(122)</b>	(78)	(168)
Amortisation and impairment of acquired intangibles		-	-	-
Amortisation of capitalised development costs		<b>(634)</b>	(528)	(1,101)
Finance costs		<b>(291)</b>	(183)	(432)
Finance income		-	-	-
<b>Profit before tax</b>		<b>248</b>	278	1,195
Tax	6	<b>(6)</b>	(17)	(13)
<b>Profit for the period being attributable to owners of the parent</b>		<b>242</b>	261	1,182
 <b>Earnings per share attributable to the owners of the parent during the period</b>				
Basic earnings per share	7	<b>0.2p</b>	0.2p	0.9p

**Diluted earnings per share**

Diluted earnings per share	7	<b>0.2p</b>	0.2p	0.9p
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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the half year ended 30 June 2023

	<b>6 months to 30 June 2023</b>	6 months to 30 June 2022	Year ended 31 December 2022
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>£'000</b>	£'000	£'000
Profit for the financial year	242	261	1,182
Other comprehensive income - items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas operations	3	-	(34)
<b>Total profit for the period attributable to owners of the parent</b>	<b>245</b>	<b>261</b>	<b>1,148</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY for the half year ended 30 June 2023

Capital

	Ordinary shares £000	Share premium £000	redemption reserve £000	Merger reserve £000	Translation reserve £000	Accumulated losses £000	Total £000
<b>At 1 January</b>	<b>3,115</b>	<b>6,800</b>	<b>617</b>	<b>29,778</b>	<b>(185)</b>	<b>(40,872)</b>	<b>(747)</b>
<b>2023</b>							
Share based payments: value of employee services	-	-	-	-	-	28	28
Transactions with owners	-	-	-	-	-	28	28
Retained profit for the period	-	-	-	-	-	242	242
Exchange differences on translation of overseas operations	-	-	-	-	-	-	-
Total comprehensive income/expense for the period	-	-	-	-	3	242	245
<b>At 30 June</b>	<b>3,115</b>	<b>6,800</b>	<b>617</b>	<b>29,778</b>	<b>(182)</b>	<b>(40,602)</b>	<b>(474)</b>
<b>2023</b>							
<b>(Unaudited)</b>							
At 1 January 2022	3,115	6,800	617	29,778	(151)	(42,107)	(1,948)
Share based payments: value of employee services	-	-	-	-	-	20	20
Transactions with owners	-	-	-	-	-	20	20

Retained profit for the period	-	-	-	-	-	261	261
Exchange differences on translation of overseas operations	-	-	-	-	-	-	-
Total comprehensive income/expense for the period	-	-	-	-	-	261	261
At 30 June 2022 (Unaudited)	3,115	6,800	617	29,778	(151)	(41,826)	(1,667)
At 1 January 2022	3,115	6,800	617	29,778	(151)	(42,107)	(1,948)
Share based payments: value of employee services	-	-	-	-	-	53	53
Transactions with owners	-	-	-	-	-	53	53
Retained profit for the year	-	-	-	-	-	1,182	1,182
Exchange differences on translation of overseas operations	-	-	-	-	(34)	-	(34)
Total comprehensive income/expense for the period	-	-	-	-	(34)	1,182	1,148
At 31 December 2022 (Audited)	3,115	6,800	617	29,778	(185)	(40,872)	(747)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2023**

		<b>30 June</b>	30 June	31
		<b>2023</b>	2022	December
		<b>(Unaudited)</b>	(Unaudited)	(Audited)
	Notes	<b>£'000</b>	£'000	£'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	8	<b>6,615</b>	5,993	6,307
Property, plant and equipment		<b>496</b>	346	571
Other non-current assets		<b>12</b>		38
		<b>7,123</b>	6,339	6,916
<b>Current assets</b>				
Inventories		<b>491</b>	510	497
Trade and other receivables		<b>3,330</b>	3,805	3,526
<b>Current tax assets</b>				
				8
<b>Cash and cash equivalents</b>		<b>951</b>	799	728
		<b>4,772</b>	5,114	4,759
<b>Liabilities</b>				
<b>Current liabilities</b>				
Financial liabilities - borrowings		<b>1,000</b>	1,000	935
Trade and other payables		<b>6,039</b>	5,904	5,716
Lease liabilities - current		<b>63</b>	104	96
		<b>7,102</b>	7,008	6,747
<b>Net current liabilities</b>		<b>(2,330)</b>	(1,894)	(1,988)

**Non-current liabilities**

Financial liabilities - borrowings	<b>5,050</b>	6,050	5,550
Lease liabilities - non-current	<b>217</b>	62	125
Deferred tax liabilities	-	-	-
	<b>5,267</b>	6,112	5,675
<b>Net liabilities</b>	<b>(474)</b>	(1,667)	(747)

**Equity attributable to owners of the parent**

Ordinary shares	<b>3,115</b>	3,115	3,115
Share premium account	<b>6,800</b>	6,800	6,800
Capital redemption reserve	<b>617</b>	617	617
Merger reserve	<b>29,778</b>	29,778	29,778
Translation reserve	<b>(182)</b>	(151)	(185)
Retained earnings	<b>(40,602)</b>	(41,826)	(40,872)
<b>Total equity</b>	<b>(474)</b>	(1,667)	(747)

**CONSOLIDATED STATEMENT OF CASH FLOWS  
for the half year ended 30 June 2023**

	<b>6 months to 30 June 2023</b>	6 months to 30 June 2022	Year ended 31 December 2022
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>£'000</b>	£'000	£'000
	Notes		
Cash flows from operating activities			

Cash generated from operations	9	<b>1,974</b>	802	2,511
<b>Interest paid</b>		<b>(291)</b>	(183)	(432)
<b>Taxation paid</b>		<b>2</b>	(17)	(21)
<b>Net cash from operating activities</b>		<b>1,685</b>	602	2,058
<b>Cash flows from investing activities</b>				
Interest received		-	-	-
Purchase of property, plant and equipment		<b>(23)</b>	(22)	(193)
Expenditure on capitalised development costs		<b>(942)</b>	(920)	(1,807)
<b>Net cash used in investing activities</b>		<b>(965)</b>	(942)	(2,000)
<b>Cash flows from financing activities</b>				
Net cash used in repayment of financing activities		<b>(500)</b>	(500)	(1,000)
<b>Net cash used in financing activities</b>		<b>(500)</b>	(500)	(1,000)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>220</b>	(840)	(942)
<b>Effect of foreign exchange rate changes</b>		<b>3</b>	-	31
Cash and cash equivalents and overdrafts at 1 January		<b>728</b>	1,639	1,639
<b>Cash and cash equivalents and overdrafts at period end</b>		<b>951</b>	799	728

**Net debt comprises:**

<b>Cash and cash equivalents and overdrafts</b>	<b>951</b>	799	728
<b>Borrowings</b>	<b>(6,050)</b>	(7,050)	(6,485)
<b>Net debt at period end</b>	<b>(5,099)</b>	(6,251)	(5,757)

## **NOTES TO THE HALF-YEAR REPORT for the six months ended 30 June 2023**

### **1. GENERAL INFORMATION**

The Pebble Beach Systems Group is a leading global software business specialising in solutions for playout automation and content, serving customers in the broadcast markets.

The Company is a public limited company and is quoted on the Alternative Investment Market (AIM) of the London Stock Exchange. The Company is incorporated and domiciled in the UK, with registered number of 04082188. The address of its registered office is Unit 1, First Quarter, Blenheim Road, Epsom, Surrey, KT19 9QN.

This half-year results announcement was approved by the Board on 22 August 2023.

### **2. BASIS OF PREPARATION**

The financial information for the period ended 30 June 2023 set out in this half-year report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2022 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified.

The half-year financial information has been prepared using the same accounting policies and estimation techniques as will be adopted in the Group financial statements



for the year ending 31 December 2023. The Group financial statements for the year ended 31 December 2022 were prepared under International Financial Reporting Standards as adopted by the European Union. These interim financial statements have been prepared on a consistent basis and format. The Group has not applied IAS 34 'Interim Financial Reporting', which is not mandatory for AIM companies, in the preparation of these interim financial statements.

### **3. GOING CONCERN**

The Directors, having made suitable enquiries and analysis of the accounts, consider that the Group has adequate resources to continue in business for the foreseeable future. In making this assessment, which covers a minimum period of twelve months from approval of this half-year report, the Directors have considered the Group's trading forecast, cash flow forecasts, available headroom and projected financial covenants on the banking facility, the levels of opportunities in the pipeline and recurring support revenue.

We maintain a good relationship with our bank. The current loan agreement secures the facility until 30 September 2024 with banking covenants and a repayment schedule in place.

We have a strong order book and pipeline which underpin our third and fourth quarter revenue.

The Directors have a reasonable expectation that the Group will have adequate resources to continue in business for the foreseeable future and therefore continue to adopt the going concern basis in preparing the interim financial statements.

### **4. SEGMENTAL REPORTING**

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

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

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

The table below shows the analysis of Group external revenue and operating profit by business segment.

	Pebble Beach Group		Total
	Systems		
	£'000	£'000	£'000
<b>6 months to 30 June 2023 (Unaudited)</b>			
Total revenue	5,468	-	<b>5,468</b>
Adjusted EBITDA	1,555	(197)	<b>1,358</b>
Depreciation	(122)	-	<b>(122)</b>
Amortisation of capitalised development costs	(634)	-	<b>(634)</b>
Share based payment expense	-	(28)	<b>(28)</b>
Non-recurring items	-	-	-
Exchange gains	(35)	-	<b>(35)</b>
Finance costs	(5)	(286)	<b>(291)</b>
Intercompany finance income/(costs)	131	(131)	-
<b>Profit/(loss) before taxation</b>	<b>890</b>	<b>(642)</b>	<b>248</b>
Taxation	(6)	-	<b>(6)</b>
<b>Profit/(loss) for the period being attributable to owners of the parent</b>	<b>884</b>	<b>(642)</b>	<b>242</b>
<b>6 months to 30 June 2022 (Unaudited)</b>			
Total revenue	5,038	-	<b>5,038</b>
Adjusted EBITDA	1,664	(367)	<b>1,297</b>
Depreciation	(78)	-	<b>(78)</b>
Amortisation of capitalised development costs	(528)	-	<b>(528)</b>
Share based payment expense	-	(20)	<b>(20)</b>
Non-recurring items	-	(257)	<b>(257)</b>

Exchange gains	47	-	<b>47</b>
Finance costs	(3)	(180)	<b>(183)</b>
Finance income	168	(168)	-
<b>Profit/(loss) before taxation</b>	<b>1,270</b>	<b>(992)</b>	<b>278</b>
Taxation	(116)	99	<b>(17)</b>
<b>Profit/(loss) for the period being attributable to owners of the parent</b>	<b>1,154</b>	<b>(893)</b>	<b>261</b>
Year to 31 December 2022 (Audited)			
Total revenue	11,167	-	<b>11,167</b>
Adjusted EBITDA	4,051	(885)	<b>3,166</b>
Depreciation	(168)	-	<b>(168)</b>
Amortisation of capitalised development costs	(1,101)	-	<b>(1,101)</b>
Share based payment expense	-	(53)	<b>(53)</b>
Non-recurring items	66	(428)	<b>(362)</b>
Exchange (losses)/gains	145	-	<b>145</b>
Finance costs	(20)	(412)	<b>(432)</b>
Intercompany finance income/(costs)	211	(211)	-
<b>Profit/(loss) before taxation</b>	<b>3,184</b>	<b>(1,989)</b>	<b>1,195</b>
Taxation	(223)	210	<b>(13)</b>
<b>Profit/(loss) for the year being attributable to owners of the parent</b>	<b>2,961</b>	<b>(1,779)</b>	<b>1,182</b>

## Geographic external revenue analysis

The revenue analysis in the table below is based on the geographical location of the customer of the business.

**6 months to 30 June** 6 months to 30 June Year ended 31 December

**2023**

**2022**

**2022**

	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>Total</b>	Total	Total
	<b>£'000</b>	£'000	£'000
<b>By market</b>			
UK & Europe	<b>3,362</b>	1,992	4,967
North America	<b>497</b>	643	1,461
Latin America	<b>350</b>	342	787
Middle East	<b>1,151</b>	1,991	3,466
Asia / Pacific	<b>108</b>	70	486
	<b>5,468</b>	5,038	11,167

## Net liabilities

The table below summarises the net liabilities of the Group by division. Balance sheet reporting is disclosed by the divisional assets and liabilities of the Group as this is consistent with the presentation of internal information provided to the Executive Management Board and the Board of Directors.

	<b>6 months to 30 June</b>	6 months to 30 June	Year ended 31
	<b>2023</b>	2022	December
	<b>Total</b>	Total	Total
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>£'000</b>	£'000	£'000
<b>By division:</b>			
Pebble Beach	<b>5,938</b>	5,718	6,232
Systems			
Group	<b>(6,412)</b>	(7,385)	(6,979)
	<b>(474)</b>	(1,667)	(747)

## 5. OPERATING PROFIT

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

	<b>6 months to 30 June 2023</b>	6 months to 30 June 2022	Year ended 31 December 2022
	<b>Total (Unaudited)</b>	Total (Unaudited)	Total (Audited)
	<b>£'000</b>	£'000	£'000
Inventory recognised as an expense	<b>610</b>	829	1,457
Director and employee costs	<b>3,244</b>	2,923	6,231
Depreciation of property, plant and equipment	<b>122</b>	78	168
Non-recurring items	-	257	362
Exchange (gains)/losses (credited)/charged to profit and loss	<b>35</b>	(47)	(145)
Amortisation of capitalised development costs	<b>634</b>	528	1,101

## 6. INCOME TAX EXPENSE

	<b>6 months to 30 June 2023</b>	6 months to 30 June 2022	Year ended 31 December 2022
	<b>Total (Unaudited) £'000</b>	Total (Unaudited) £'000	Total (Audited) £'000
<i>Current tax</i>			
UK corporation tax	-	-	-
Foreign Tax - current year	<b>6</b>	17	21
Adjustments in respect of prior years			(8)
<b>Total current tax</b>	<b>6</b>	17	13
<i>Deferred tax</i>			
UK corporation tax	-	-	-
<b>Total deferred tax</b>	-	-	-
<b>Total taxation</b>	<b>6</b>	17	13

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

## 7. EARNINGS PER ORDINARY SHARE

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

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive shares are those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. The

average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

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

**6 months to 30 June 2023  
(Unaudited)**

	<b>Earnings £'000</b>	<b>Weighted average number of shares '000s</b>	<b>Earnings per share pence</b>
<b>Basic earnings per share</b>			
Profit attributable to ordinary shareholders	<b>242</b>		<b>0.2p</b>
Basic earnings per share	<b>242</b>	<b>124,477</b>	<b>0.2p</b>
<b>Diluted earnings per share</b>			
Profit attributable to ordinary shareholders	<b>242</b>		<b>0.2p</b>
Diluted earnings per share	<b>242</b>	<b>125,114</b>	<b>0.2p</b>

6 months to 30 June 2022 (Unaudited)

	Earnings £'000	Weighted average number of shares '000s	Earnings per share pence
<b>Basic earnings per share</b>			
Profit attributable to ordinary shareholders	261		0.2p
Basic earnings per share	261	124,477	0.2p
<b>Diluted earnings per share</b>			
Profit attributable to ordinary shareholders	261		0.2p
Diluted earnings per share	261	126,761	0.2p

## Year ended 31 December 2022 (Audited)

	Earnings £'000	Weighted average number of shares '000s	Earnings per share pence
<b>Basic earnings per share</b>			
Profit attributable to ordinary shareholders	1,182		0.9p
Basic earnings per share	1,182	124,477	0.9p
<b>Diluted earnings per share</b>			
Profit attributable to ordinary shareholders	1,182		0.9p
Diluted earnings per share	1,182	125,709	0.9p

**Adjusted earnings**

The directors believe that adjusted EBITDA, adjusted earnings and adjusted earnings per share provide additional useful information on underlying trends to shareholders.



These measures are used by management for internal performance analysis and incentive compensation arrangements. The term "adjusted" is not a defined term used under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. The principal adjustments are made in respect of the amortisation of acquired intangibles, share based payment expense, non-recurring items and exchange gains or losses charged to the income statement and their related tax effects.

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

	<b>6 months to 30 June 2023</b>		6 months to 30 June 2022		Year ended 31 December 2022	
	<b>Total (Unaudited)</b>		Total (Unaudited)		Total (Audited)	
	<b>Earnings</b>		Earnings		Earnings	
	<b>£'000</b>	<b>Pence</b>	£'000	Pence	£'000	Pence
<b>Reported earnings and earnings per share</b>	<b>242</b>	<b>0.2p</b>	261	0.2p	1,182	0.9p
Share based payment expense	<b>28</b>	<b>0.0p</b>	20	0.0p	53	0.0p
Exchange (gains)/losses	<b>27</b>	<b>0.0p</b>	(38)	0.0p	(117)	(0.1p)
Non-recurring items	-	<b>0.0p</b>	208	0.2p	294	0.3p
<b>Adjusted earnings and earnings per share</b>	<b>297</b>	<b>0.2p</b>	451	0.4p	1,412	1.1p

## 8. INTANGIBLE ASSETS

	Goodwill £'000	Acquired customer relationships £'000	Acquired intellectual property £'000	Capitalised development costs £'000	Total £'000
<b>Cost</b>					
At 1 January 2022 (audited)	3,218	4,493	3,350	6,938	17,999
Additions (unaudited)	-	-	-	920	920
At 30 June 2022 (unaudited)	<b>3,218</b>	<b>4,493</b>	<b>3,350</b>	<b>7,858</b>	<b>18,919</b>
At 1 January 2022 (audited)	3,218	4,493	3,350	6,938	17,999
Additions (audited)	-	-	-	1,807	1,807
At 1 January 2023 (audited)	3,218	4,493	3,350	8,745	19,806
Additions (unaudited)	-	-	-	941	941
<b>At 30 June 2023 (unaudited)</b>	<b>3,218</b>	<b>4,493</b>	<b>3,350</b>	<b>9,686</b>	<b>20,747</b>
<b>Accumulated amortisation</b>					
At 1 January 2022 (audited)	-	4,493	3,350	4,555	12,398
Charge for the period (unaudited)	-	-	-	528	528
At 30 June 2022 (unaudited)	-	<b>4,493</b>	<b>3,350</b>	<b>5,083</b>	<b>12,926</b>
At 1 January 2022 (audited)	-	4,493	3,350	4,555	12,398

Charge for the year (audited)	-	-	-	1,101	1,101
At 1 January 2023 (audited)	-	4,493	3,350	5,656	13,499
Charge for the period (unaudited)	-	-	-	633	634
<b>At 30 June 2023 (unaudited)</b>	-	<b>4,493</b>	<b>3,350</b>	<b>6,289</b>	<b>14,133</b>
<b>Net book value At 30 June 2023 (unaudited)</b>	<b>3,218</b>	-	-	<b>3,397</b>	<b>6,615</b>
At 31 December 2022 (audited)	3,218	-	-	3,089	6,307
At 30 June 2022 (unaudited)	3,218	-	-	2,775	5,993
At 1 January 2022 (audited)	3,218	-	-	2,383	5,601

The amortisation of development costs is included in research and development expenses in the Consolidated Group Income Statement. Within capitalised development costs there are £4.0 million (2022: £3.6 million) of fully written down assets that are still in use.

## 9. CASH FLOW GENERATED FROM OPERATING ACTIVITIES

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

<b>6 months to 30 June 2023</b>	6 months to 30 June 2022	Year ended 31 December 2022
<b>Total (Unaudited) £'000</b>	Total (Unaudited) £'000	Total (Audited) £'000

Profit before tax	<b>248</b>	278	1,195
Depreciation of property, plant and equipment	<b>122</b>	78	168
Amortisation and impairment of development costs	<b>634</b>	528	1,101
Non-recurring item	-	-	(66)
Share based payment expense	<b>28</b>	20	53
Finance income	-	-	-
Finance costs	<b>291</b>	183	432
Decrease/(increase) in inventories	<b>6</b>	(80)	(67)
Decrease/(increase) in trade and other receivables	<b>263</b>	(173)	3
Increase/(decrease) in trade and other payables	<b>382</b>	(32)	(308)
<b>Net cash generated from operating activities</b>	<b>1,974</b>	802	2,511

## 10. NET FUNDS

Reconciliation of change in cash and cash equivalents to movement in net debt:

	Net cash and cash equivalents	Other borrowings	Total net debt
	£'000	£'000	£'000
At 1 January 2023	728	(6,485)	(5,757)
Cash flow for the period before financing	<b>720</b>	-	<b>720</b>
Movement in borrowings in the period	<b>(500)</b>	<b>500</b>	-
Exchange rate adjustments	<b>3</b>	-	<b>3</b>
<b>Cash and cash equivalents at 30 June 2023 (Unaudited)</b>	<b>951</b>	<b>(6,050)</b>	<b>(5,099)</b>

At 1 January 2022	1,639	(7,550)	(5,911)
Cash flow for the period before financing	(340)	-	(340)
Movement in borrowings in the period	(500)	500	-
Exchange rate adjustments	-	-	-
Cash and cash equivalents at 30 June 2022 (Unaudited)	799	(7,050)	(6,251)
At 1 January 2022	1,639	(7,550)	(5,911)
Cash flow for the year before financing	58	-	58
Movement in borrowings in the year	(1,000)	1,000	-
Netting of arrangement fee	-	65	65
Exchange rate adjustments	31	-	31
Cash and cash equivalents at 31 December 2022 (Audited)	728	(6,485)	(5,757)

## Ends

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