Building brands.
Growing relationships.
Strengthening businesses.

The Pebble Group

The Pebble Group plc
Annual Report 2020

Building brands. Growing relationships. Strengthening businesses.

Our vision is to become the partner of choice for both global brands that use promotional products as a key stakeholder engagement tool, and small and medium sized enterprises (SME) distributors that seek to professionalise and grow their promotional products' businesses in North America.

Stay up to date at
thepebblegroup.com

Our history

2012

Management buy-out of Brand Addition, supported by H.I.G. Europe Capital Partners LP and by Beechbrook Capital LLP.

2014

Expanded operations into Shanghai, established a full-service office enabling further development of overseas capabilities.

2016

Acquisition of US-based Gateway CDI (now Brand Addition US), increasing market share and providing greater access to the largest single regional market for promotional products.

2017

Secondary management buy-out supported by Elysian Capital and Beechbrook Capital LLP. Formation of The Pebble Group as parent company to Brand Addition.

Strategic report

Corporate governance

Financial statements

"The unprecedented events of 2020 have not affected our strategy. Facilisgroup continues to grow, in line with our expectations, and we are confident of restoring the strong organic growth levels, achieved prior to the pandemic, at Brand Addition, as our markets settle and adapt to a post-COVID-19 world."

Richard Law
Non-executive Chairman

2018

Acquisition of Facilisgroup in North America saw the establishment of The Pebble Group brand and enabled it to diversify and strengthen its service offering.

2019

Admission to AIM.

2020

Acquisition of software assets for Facilisgroup that enable the provision of further recurring revenue services to existing and potential Partners.

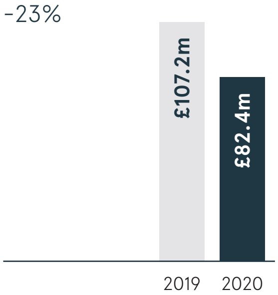
Highlights

Financial

REVENUE

£82.4m

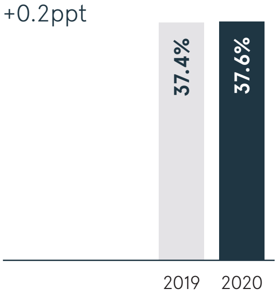
-23%



GROSS MARGIN

37.6%

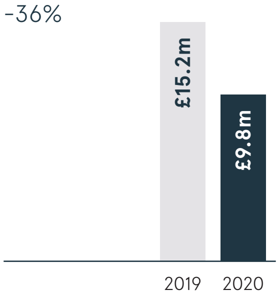
+0.2ppt



ADJUSTED EBITDA*

£9.8m

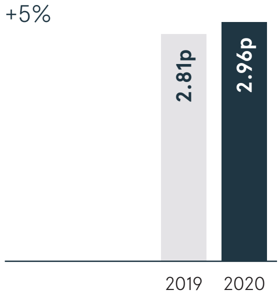
-36%



ADJUSTED EPS**

2.96p

+5%



Operational highlights

The Pebble Group

Group:

- Swift and deft response across the Group to the turbulence created by the COVID-19 lockdowns, combined with a clear focus on clients, culture and cash, enabled a resilient FY20 performance
- Investment for growth acceleration continued in Facilisgroup, including acquisition of strategically important software assets for total cash consideration of $5.3m, of which $1.8m was deferred, funded out of Group cash flow
- Added a record number of new Partners to Facilisgroup and maintained excellent retention levels
- Retained all major clients in Brand Addition and implemented two significant new contracts
- Excellent cash management during 2020 with a year end cash balance of £7.1m (2019: £8.9m) after acquisition of software assets of £2.6m and settlement of IPO related costs of £3.5m
- FY21 has started well and the Board views the prospects for the Group with confidence

* Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, amortisation, share-based payments charges and exceptional items in note 7

** Adjusted earnings per share is calculated as operating profits before amortisation of acquired intangibles, share-based payments charges and exceptional items less net finance costs and tax divided by the weighted average number of shares in issue

facilisgroup

Facilisgroup:

	2020	2019
Recurring Revenue	**£9.3m**	£8.2m
Total Revenue	**£9.8m**	£9.3m
Adjusted EBITDA	**£6.0m**	£5.1m

- Achieved 13% growth in Annual Recurring Revenue and 18% growth in Adjusted EBITDA, despite the pandemic
- Growth in Partner (customer) numbers accelerated – up 17% in FY20 to 175 (FY19: 149) with almost 100% Partner retention in the year
- Partners showed resilience and flexibility in response to the pandemic – Gross Merchandise Value (GMV) grew by 25% to $1.0bn (FY19: $0.8bn), against an industry decline of circa 20%
- Acquisition of software assets in December 2020, accelerating the creation of new ecommerce solution, ranging from pop-up stores to complex inventoried online stores
- 180 Partners at 19 March 2021, with a further 5 contracted awaiting implementation
- Q1 21 performance is expected to be firmly on track with management expectations
- Positive reaction from Partners to our ecommerce product with 41 pursuing access for the initial launch
- Management's internal aspiration to increase Facilisgroup's recurring revenues beyond $50m by the end of 2024

brand addition.

Brand Addition:

	2020	2019
Revenue	**£72.6m**	£97.9m
Adjusted EBITDA	**£5.2m**	£10.7m

- Consumer Promotions revenue remained robust with a comparable performance to 2019
- Corporate Programmes revenue severely impacted in Q2 and Q3 20 as clients reduced marketing activities as a result of lockdown disruption
- Positive signs of recovery in Corporate Programmes in Q4 20, as global clients in sectors such as Technology, Transport, Engineering, and Financial Services re-emerged
- Positive momentum achieved in Q4 20 continues and currently targeting a return towards 2019 revenue levels in FY21:
  - Very strong order intake in Consumer Promotions division for sales to be invoiced in 2021
  - Corporate Programmes benefitting from full year impact of 2020 client wins, with the anticipated lifting of COVID-19 lockdown restrictions expected to aid the recovery of this division further
- Total orders invoiced or received for 2021 at 19 March 2021 were £41.6m (2020: £31.5m and 2019: £31.4m)

At a glance

We provide technology, services and products to the global promotional products industry.

Our Group provides technology, services and products to the global promotional products industry through two focused and differentiated businesses:

brand addition.

88% of Group revenue

Brand Addition is a leading provider of promotional products to global brands. It utilises its global network and technology infrastructure and systems to source and deliver complex and creative promotional product solutions.

Read more on page 6

facilisgroup

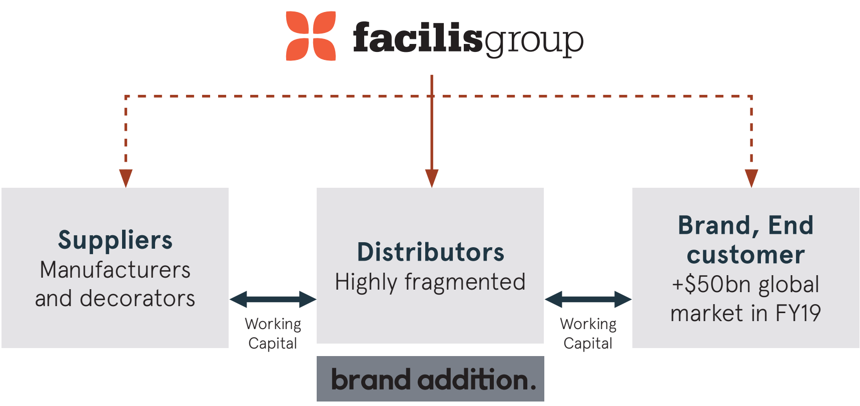
12% of Group revenue

Facilisgroup provides technology solutions to SME promotional product distributors in the United States and Canada.

Read more on page 8

Our markets

The promotional products market is large.



As one of the most cost-effective forms of marketing, the global promotional products market is large with the North American and European markets totalling over US$50bn in 2019. Due to the impact of COVID-19 disruption, industry estimates from North America suggest that compared with 2019 traditional industry sales fell by circa 40% with higher sales of PPE related items reducing this decline to circa 20% in 2020, much of which occurred in Q2 and Q3 before showing signs of recovery in Q4. We believe, the demand from businesses of all sizes, sectors and geographies to use promotional products to convey their brand values and identity to stakeholders remains strong.

The industry	c.$40bn promotional products market	
Our Group	**The Pebble Group** *Providing products, services and technology into the global promotional products industry* **Building brands, growing relationships, strengthening businesses**	
Our focused businesses	**Brand Addition** Products and services	**Facilisgroup** Technology and services
Target market	**Large global brands**	**SME promotional product distributors**
Services	**Design** corporate ranges and bespoke products **Source** from ethical suppliers **Deliver** across the globe	**Software as a Service (SaaS) technology** to power efficiency and growth **Supply chain consolidation** for buying dynamism **Community** events and training
Revenue model	**Margin** on products and services	**Subscriptions** for technology **Fees** for supply chain management resulting in recurring annual revenues
Geographic hubs	Europe Asia US	US Canada

Where we operate

The Pebble Group is headquartered in the UK in a facility that also houses the headquarters of Brand Addition.

The Group has offices in the UK, the Republic of Ireland, Germany, China, Canada and the United States.

Europe

Manchester
Dublin
London
Hagen

North America

Ottawa
St. Louis

China

Guangzhou
Hong Kong
Shanghai

REVENUE BY GEOGRAPHY (%) 2019

REVENUE BY GEOGRAPHY (%) 2020

EBITDA BY GEOGRAPHY (%) 2019

EBITDA BY GEOGRAPHY (%) 2020

Our Group comprises two differentiated businesses, focused on specific areas.

brand addition.

Brand Addition focuses entirely upon providing promotional products and related services under contract to some of the world's most recognisable brands.

Its largest contracts are valued in the millions of pounds with the products and services supplied being used for brand building, customer engagement and employee rewards. Working in close collaboration with its clients, Brand Addition designs products and product ranges, hosts client-branded global web stores and provides international sourcing and distribution solutions. It utilises its global network to ethically source and deliver complex and creative promotional product solutions.

Headquartered in Manchester, it has locations in Europe, the US and Asia.

Revenues are categorised into two divisions: Corporate Programmes that support clients' general marketing activities and Consumer Promotions that support clients in driving their own sales volumes.

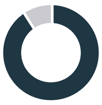
Target market: Large global brands.

Revenue model: Margin on products and services.

Supporting clients: Globally through offices in Europe, the US and Asia.

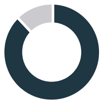
Excellent track record of attracting and retaining many of the world's leading brands through design, ethical sourcing, international distribution and technology solutions.

PERCENTAGE OF GROUP REVENUE (%) 2019



91%

PERCENTAGE OF GROUP REVENUE (%) 2020



88%

PERCENTAGE OF ADJUSTED EBITDA (%) 2019

68%

PERCENTAGE OF ADJUSTED EBITDA (%) 2020

46%

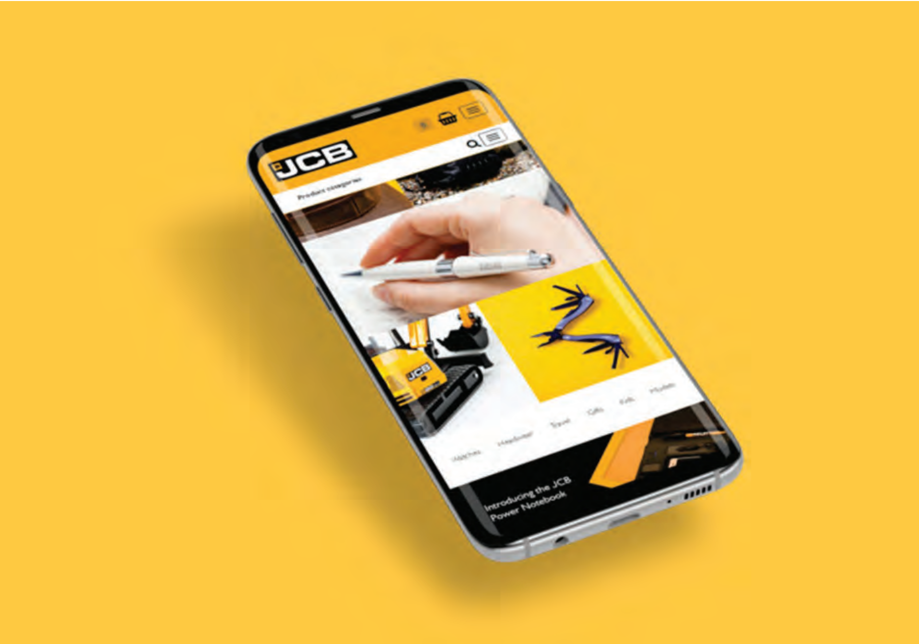
Brand Addition's business model

Win, grow, retain, repeat

Learn more at brandaddition.com

Note: percentages for Adj. EBITDA exclude central costs


NESPRESSO


JCB


MAC


Mobil 1

Our businesses

facilisgroup

Facilisgroup provides an ecommerce platform to mid-size promotional products businesses in North America, which enables those businesses to benefit from significant business efficiency through its technology, and gain meaningful supply chain advantage from the ability to purchase from quality suppliers under preferred terms.

Our recurring revenues, 95% of FY20 total revenues are derived from subscriptions for technology and a proportion of the gross merchandise value flowing through the platform.

Established in 2004 and acquired by The Pebble Group plc in December 2018, Facilisgroup provides a SaaS-based platform to support the operations of SME promotional product distributors based in the United States and Canada. Facilisgroup has built a community of 175 SME promotional product distributors and over 100 preferred suppliers in North America and in the year ended 31 December 2020 processed over $1bn of sales (2019: $800m) in the promotional products sector. A typical Facilisgroup Partner generates between $2million and $10 million of annual sales.

Facilisgroup attracts and retains Partners through its proprietary @ease software, consolidating the buying power of its Partners and developing its community of Partners and suppliers through learning and networking events. It generates revenue through two main pillars: subscription revenue from providing technology to its Partners and income from its suppliers for co-ordinating the consolidation of spend. In 2020 Facilisgroup added software through the acquisition of software assets to allow the easy development of online stores, a key selling tool for Partners and a large number of entrepreneurial businesses in the sector. This accelerates Faciligroup's ability to bring additional e-commerce services to market in support of its vision to become the technology leader in the promotional products industry.

Facilisgroup is headquartered in the US with offices in Canada.

Target market: SME promotional product distributors.

Revenue model: Subscriptions for technology and online stores, fees for supply chain management.

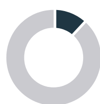
Manages: c.$1bn sales (up from $800m in 2019) in the promotional products sector from 175 Partners (up from 149 in 2019) in the US and Canada.

Attracts and retains "Facilisgroup Partners" through a combination of highly regarded technology, consolidation of buying power and community learning and networking events

PERCENTAGE OF GROUP REVENUE (%) 2019

9%

PERCENTAGE OF GROUP REVENUE (%) 2020



12%

PERCENTAGE OF ADJUSTED EBITDA (%) 2019

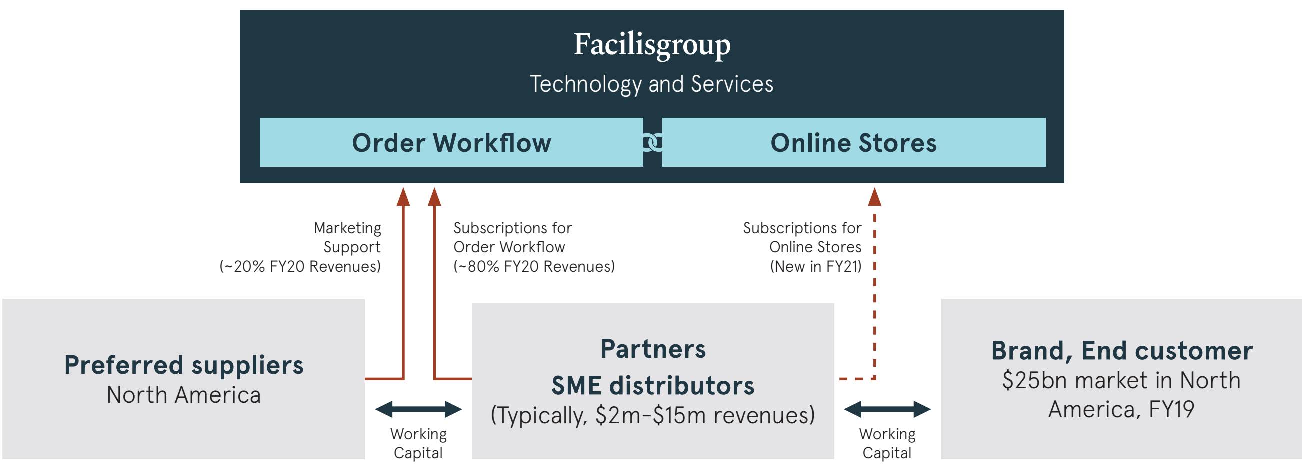
32%

PERCENTAGE OF ADJUSTED EBITDA (%) 2020

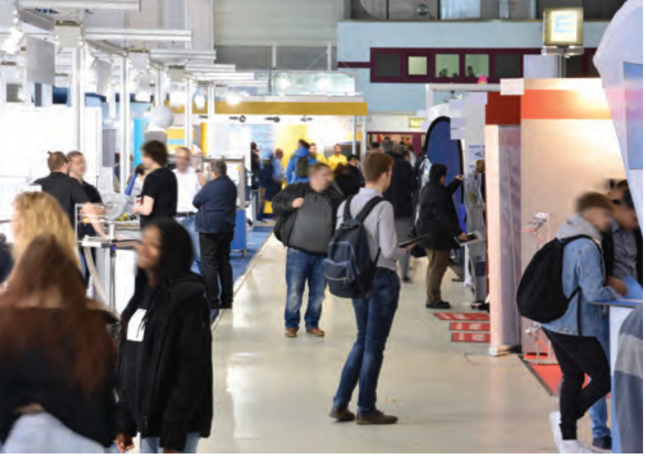
54%

Facilisgroup's business model

High visibility of recurring revenues with a growing customer base



Note: percentages for Adj. EBITDA exclude central costs




Dashboard
0
5
124
$500.00
$750.00
$144,837.69
451
106
64
65
LEVEL Up
LAST CALL!

A year of considerable achievement under difficult circumstances

I am pleased to announce the Group's results for 2020, which was a challenging year but also one of considerable achievement under difficult circumstances.

Although our financial performance was impacted significantly in the first half of the year by COVID-19, the situation improved, through good management and improving markets, from the start of the second half of the year and gaining momentum in the final quarter. The Group ended the year with revenue of £82.4m (2019: £107.2m) and Adjusted EBITDA of £9.8m (2019: £15.2m).

This resilient performance was made possible by the swift and deft response of our people around the world to the turbulence created by the COVID-19 global lockdowns, stabilising the Group's finances and making sure our businesses were best-positioned to deal with changes in our markets. A clear focus on clients, culture and cash enabled the Group to navigate these unprecedented challenges and deliver these results, whilst ensuring our businesses remain fully equipped to benefit from the uplift as activity levels continue to recover.

The new financial year to 31 December 2021 ("FY21") has started well with Brand Addition continuing to recover, and continuing strong performance in Facilisgroup. The Group's performance to date is in line with our expectations.

Summary of the year

The Group delivered on key elements of its strategy during the year.

Brand Addition secured and successfully on-boarded two significant new client contracts and retained its existing major clients.

Facilisgroup continued to grow throughout the whole of the year and generate very attractive Adjusted EBITDA margins, building upon its technology capability through the acquisition of strategically important software assets, funded from Group cash flows. We believe that the addition of this technology, together with increased investment internally in product development, has the potential to increase Facilisgroup's recurring revenues significantly, through additional new Partner services, and increasing the rate of new customer acquisition.

This performance reflects the resilience of our business model, the strength and ability of our entire team and the calibre of the senior management and my Board colleagues. Whilst I am pleased to report on the Group's achievements in 2020, I am also very conscious that many colleagues, suppliers and customers have faced significant hardship, both personally and professionally, as a result of the COVID-19 pandemic. On behalf of the Board, I thank all of you for your support and commitment, throughout this very difficult period.

Long-term vision and strategy

The promotional product strategies operated by hundreds of organisations around the world and served by The Pebble Group are about more than advertising brands. They are about building customer relationships, creating engagement with employees, building loyalty and giving reward to customers and employees, all in near real time. Brand Addition's position as a strategic level supplier of promotional products to some of the world's largest brands across most major sectors, together with Facilisgroup's technology offerings provided to middle market promotional products operators in North America, present the business with very significant opportunities.

Our vision is to become the partner of choice for global brands, which use promotional products as a strategic stakeholder engagement tool; and develop the technology product capabilities of Facilisgroup, to service the full spectrum of technology for SME distributors of promotional products, seeking to professionalise and grow their businesses in North America.

Investment case

- Attractive market opportunity
- Differentiated positioning within the promotional products space
- Brand Addition's strong relationships with a diversified blue-chip client base
- Facilisgroup's long-term deep-rooted relationships with its Partners
- Combination of loyal client base and recurring revenues drives high quality earnings
- Strong track record of historical financial growth
- The Group model is well positioned through the economic cycle
- Proven, experienced, high calibre management team

The events of 2020 have not affected our underlying strategy. In fact, changes that have occurred in the market, such as greater demand from Brand Addition's clients for innovative, high quality and sustainable products and the ability of Facilisgroup's Partners to operate their businesses flexibly and remotely under lockdown, fits well with the strategy that the Group is implementing.

Facilisgroup continues to grow in line with our expectations and our plan is to accelerate this growth through the introduction of new product functionality as set out in the Chief Executive's Review. At Brand Addition, we are confident of restoring the revenues and organic growth levels achieved prior to the pandemic, as our markets settle and adapt to a post-COVID world.

People and commitment to diversity

Our firm belief is that our team is central to all that the Group does and achieves. We value our people highly and are focused on building a culture of positive engagement throughout the business, encouraging the development of our people and recognising their contribution to the success of the business.

The Group is committed to ensuring diversity, equity and inclusion in all areas. Our goal is to foster a positive work ethic, while remaining results and client focused, and demonstrate our commitment to doing the right thing. Promoting our diverse backgrounds, skill sets and experiences, delivers better results for everyone. Our actions and ambitions in the journey to deliver this goal are set out within the Environmental, Social and Governance section of our Annual Report.

Being on AIM allows us to share the value created by the Group and recognise the efforts of our teams. We issued our first Long Term Incentive Plan in December 2020, in which 48 senior people across the Group are participating. This was slightly later than originally planned due to COVID-19. It is our intention to build on this and issue our first Share Save Scheme in 2021, as outlined at the time of IPO. These initiatives support the already strong alignment with shareholders from the near 10% shareholding in The Pebble Group by the Board and other colleagues in the business.

Environmental, Social and Governance ("ESG")

As a Board, we understand and welcome the increasing importance of ESG to investors, employees and clients. We are committed to creating positive interactions with all stakeholders and intend to demonstrate this over the long-term through our approach to ESG. We have expanded our ESG reporting in this year's Annual Report, setting out our ESG priorities and related activities under four headings:

- Impact of our business on our environment and our communities;
- Diversity, equity and inclusion;
- Board independence, ethics and leadership; and
- Risk management processes.

Alongside this, we have strengthened our team via two high quality appointments, with Lucy Penfold as Group General Counsel and Company Secretary and Kirsten Motyl as Senior ESG Officer. From H2 2021, we will publish a stand-alone Annual Sustainability Report further setting out our ESG ambitions and progress.

Team

In addition to the appointments above, our management teams were strengthened through both recruitment and internal promotion across the Group. Ashley McCune was appointed President of Facilisgroup in January 2020. Ashley has played a key role in the growth of Facilisgroup, since joining the business in the early stages of its development. In January 2021, Chris Lee, Group CEO, handed over direct management of Brand Addition to Karl Whiteside, to spend more time on strategic Group initiatives. Karl was previously Managing Director at Brand Addition in North America.

The Group benefits from strong, experienced, and motivated senior management, who are ambitious to accelerate growth.

Dividend

As previously disclosed, given the impact of the pandemic, the focus on cash preservation and the Group's use of the UK Job Retention Support Scheme in the year under review, the Board considers that a dividend payment in respect of 2020 would be inappropriate. We remain committed to the dividend policy stated at IPO and will review dividend payments in respect of 2021, as the new financial year progresses. An update will be provided in the Group's half year results, scheduled for announcement in September 2021.

Summary and outlook

The new financial year has started well with a good performance in the first quarter across the business. The team and Board are confident in the long-term prospects for our market and, in particular, the strategies that we are implementing to increase our position within it.

Finally, I would like to thank all of our people and shareholders for their exceptional support throughout 2020, which has been much appreciated by your Board.

Richard Law
Non-executive Chairman
23 March 2021

Chief Executive Officer's review

Overview of the Year

We are pleased to issue the Group's results for the year ended 31 December 2020, our first full year as a listed company.

Whilst the year was dominated by the social and economic disruptions caused by restrictions resulting from the COVID-19 pandemic, the Group generated revenue of £82.4m (2019: £107.2m), being 77% of the prior year, and Adjusted EBITDA of £9.8m (2019: £15.2m), being 64% of the prior year.

Behind these headlines, the Group's year, and its momentum, as we move into 2021, can be split into three distinct phases.

Q1 20: pre COVID-19

The Group started the year strongly and in line with our expectations. The first references to COVID-19 in China entered our consciousness and our initial concern was for our team in Asia and the potential for disruption to our supply chain in this region. This risk was well-managed by our team and suppliers, without any material financial impact to the Group throughout the year.

Q2 and Q3 20: a low point of sales activity in April

The rapid spread of COVID-19 into Europe and North America, with resultant lockdowns, significantly impacted certain parts of our operations. At Brand Addition, the low point of sales order intake was in April, as initial lockdowns created the greatest levels of disruption. We acted quickly to manage our cost base and liquidity with the aim of responsibly protecting all our stakeholders through this period. At Facilisgroup, the impact on our financial results was very limited. Operationally, we worked hard to support our Partners and Preferred Suppliers, as their businesses were severely disrupted.

The flexibility, dedication, and support of our teams across the Group during this period was exceptional.

Q4 20: a positive momentum shift

Sales activity across the Group improved in Q4 20. At Brand Addition, we successfully implemented the two major contract wins from Q1 20 and total like-for-like sales also steadily recovered throughout the quarter as our clients found a new level of normality. At Facilisgroup, our Partner's sales values also began to show signs of recovery.

We were pleased to end the year with the acquisition of strategic software assets. Funded through Group cash flows, this accelerates the ecommerce capabilities of Facilisgroup creating the potential for additional annual recurring revenue from existing and potential Partners.

Our concentration on clients, culture and cash was key to the Group's ability to navigate the disruption and challenges experienced throughout the year. Exiting 2020, we have retained all of our major clients and Partners and maintained a strong balance sheet and a motivated team.

In a year that brought so much uncertainty, the teams across our businesses in Europe, North America and Asia showed great care for each other, our clients, suppliers, and the Group's long-term success. My huge thanks go to all of our people and our Board for their efforts and support.

Promotional products market

As one of the most cost-effective forms of marketing, the global promotional products market is large with the North American and European markets totalling over $50bn in 2019. Due to the impact of COVID-19 disruption, industry estimates from North America suggest that traditional sales of promotional items fell by circa 40% in 2020, with sales of Personal Protection Equipment (PPE) related items reducing this decline to circa 20%. Much of this decline occurred in Q2 and Q3, before showing signs of recovery in Q4. We believe that the demand from businesses of all sizes, sectors, and geographies to use promotional products to convey their brand values and identity to stakeholders remains strong.

Our Group has two differentiated offerings, delivered through Facilisgroup and Brand Addition.

Our business model and operational performance

Facilisgroup

	2020	2019	Variance
Recurring Revenue	**£9.3m**	£8.2m	**13%**
Other Revenue	**£0.5m**	£1.1m	**-55%**
Total Revenue	**£9.8m**	£9.3m	**5%**
Gross profit	**£9.8m**	£9.3m	**5%**
Gross profit %	**100%**	100%	**-**
Adjusted EBITDA	**£6.0m**	£5.1m	**18%**
Partner numbers	**175**	149	**17%**

Facilisgroup supports the growth of mid-sized Promotional Product businesses in North America by providing a technology platform, enabling those businesses to benefit from significant business efficiency and gain meaningful supply chain advantage from the ability to purchase from quality suppliers under preferred terms.

In a year in which promotional products industry sales are estimated to have declined by 20%, the Gross Merchandise Value (GMV) of Facilisgroup Partners (customers) grew by 25% to $1.0bn (2019: $0.8bn), representing an almost 5% market share and demonstrating the quality of the Facilisgroup offering and the strength of the Partner businesses. Breaking through $1bn of GMV is a significant milestone for Facilisgroup and in line with our expectation at the beginning of 2020. Equally, the makeup of these orders was different to expectation. High value PPE sales orders were made by a number of our Partners in Q2 20, as traditional sales reduced. As we moved through Q4 20, sales order values began to return towards prior year levels, which we see as positive for the prospects of our Partners and the promotional products industry as lockdown restrictions reduce in 2021.

Encouragingly, the growth in Partner numbers continued to accelerate year-on-year. At 31 December 2020, we had 175 Partners, an increase of 26 or 17% in the year. Partner retention remains strong. As well as the record number of new Partners implementing our technology in 2020, in the most challenging environment, we had almost 100% Partner retention. Our plan is to continue the acceleration in Partner numbers in 2021.

The above resulted in Annual Recurring Revenue increasing by 13% to £9.3m (2019: £8.2m). Other Revenue was £0.6m lower, as a result of withdrawing from the supply of ancillary artwork services to our Partners, and lockdowns restricting travel for events and training. However, we did not incur the expenses against this Other Revenue, resulting in a cost reduction in people and overheads. From the above mix, Total Revenue increased by 5% to £9.8m (2019: £9.3m).

The recurring revenue model that underpins Facilisgroup continued to deliver excellent returns in 2020. We further invested in skills development and the number people on the team during the year, including significantly strengthening the leadership within the business. In tandem with the cost savings from reduced travel and the cancellation of our annual conference in June, this resulted in Adjusted EBITDA of £6.0m (2019: £5.1m) being a return on Total Revenue of 61% (2019: 55%).

Our Annual Recurring Revenues (ARR), being 95% of Total Revenues in 2020, comprise two items:

- Management Fees from our Partners for our subscription-based technology (~ 75% FY20 ARR), which are fixed at the beginning of the year for each Partner, based on their prior year GMV. These deliver a highly predictable revenue stream for the business. Our average Management Fees per Partner are expected to remain consistent from 2020 to 2021.
- Marketing Fund from our Preferred Suppliers (~ 25% FY20 ARR) is based upon the value of purchases placed by Partners with our Preferred Suppliers in the year. In 2020, the swing towards Personal Protective Equipment ("PPE") product has resulted in a lower percentage but similar value of purchases through these Preferred Suppliers compared to 2019. We would expect the percentage of purchases through our Preferred Suppliers to move back towards 2019 percentage levels in 2021.

Chief Executive Officer's review

In parallel to working closely with our Partners and Preferred Suppliers to manage the short-term challenges in 2020, we continued to evolve the Facilisgroup strategy to support its multiple growth opportunities.

Facilisgroup's vision is to become the technology leader in the promotional products industry, enhancing our offering to cover the technology spectrum in our industry, and, hence, power the efficiency and growth of entrepreneurial distributors and suppliers. Behind this vision in 2019 and 2020, we have invested circa $8m in our technology, including the acquisition of software assets in December 2020. We have also grown the expertise within our team and its leadership, and expanded our infrastructure, all aimed at readying the business for significant growth. This investment enables us to evolve our three growth strategies into three separate technology product offerings, being:

1 Order workflow, targeted at distributors of >$2m sales: Powering visibility and growth for mid-tier and larger distributors, this is the product upon which Facilisgroup's foundation has been based. We will continue to responsibly increase our Partner numbers, ensuring our Partner quality remains high and the community relationships we create with our Partners and suppliers remain strong;

2 Ecommerce stores targeted at distributors of all sizes: Offering a variety of ecommerce stores to drive the sales of our customers, this product is based upon the acquisition of software assets in December 2020. Launching in Q2 21 our aim is to attract additional recurring revenues from existing Partners, support the growth of new Partners and develop new customers from offering this as a stand-alone service; and

3 Order workflow, targeting distributors of <$2m sales: Developing our technology and strong industry relationships to industry entrepreneurs in the early stage of their business development, this product will offer an adaptation of our existing services. We are investing time and resources into this exciting opportunity with an expected launch in late 2022.

Against this vision and these three product offerings, our team has set itself ambitious yet achievable goals. By the end of 2024, our internal aspiration is to increase Facilisgroup's annual recurring revenues beyond $50m, through:

- An increase in the total number of customers using our products to 950;
- Growing the GMV that is processed through our technology towards $2bn; and
- Channelling £0.6bn of spend through our Preferred Suppliers.

We look forward to measuring our performance against these targets and will share our progress at each reporting period.

An important step on the journey to achieving the above was the acquisition of new software assets in December 2020, detailed below:

Acquisition of Software Assets for Facilisgroup

On 18 December 2020, Facilisgroup acquired software assets from CoreXpand, a US based software developer, for a total cash consideration of $5.3m of which $1.8m was deferred.

The acquired software accelerates Facilisgroup's ability to deliver an ecommerce service to market, being the easy development of online stores, a key selling tool for Partners and a large number of entrepreneurial businesses in the promotional products sector. These stores will range from online pop-up stores through to complex inventoried online stores.

Expanding the suite of technology products further enhances the compelling credentials of Facilisgroup as a provider of services which help businesses manage and grow their operations effectively. The addition of such technology has the potential to significantly expand the subscription services utilised by existing Partners plus support the attraction of new Partners to the Facilisgroup platform.

Brand Addition

	2020	2019	Variance
Revenue	**£72.6m**	£97.9m	**-26%**
Gross profit	**£21.2m**	£30.8m	**-31%**
Gross profit %	**29.2%**	31.5%	**-2.3ppt**
Adjusted EBITDA	**£5.2m**	£10.7m	**-51%**

Brand Addition focuses entirely upon providing promotional products and related services under contract to some of the world's most recognisable brands. Its largest contracts are valued in the millions of pounds with the products and services supplied being used for brand building, customer engagement and employee rewards. Working in close collaboration with its clients, Brand Addition designs products and product ranges, hosts client-branded global web stores and provides international sourcing and distribution solutions.

We categorise our revenues into two divisions, Corporate Programmes that supports our clients' employee engagement and brand building activities, and Consumer Promotions that supports our clients in driving their own sales volumes.

In the year, total revenue was 74% of prior year at £72.6m (2019: £97.9m).

Corporate Programmes revenue (~60% FY20 divisional revenues) was severely impacted in Q2 and Q3 20, as our clients suffered lockdown related disruption and reduced their marketing activities. In Q4 20 these clients, global businesses in sectors such as technology, transport, engineering and financial services, re-emerged and, together with the implementation of two major client wins, our sales orders showed positive signs of recovery.

Our Consumer Promotions revenue (~40% FY20 divisional revenues) remained robust and overall comparable to prior year. In this division, we provide our global clients in the Fast-Moving Consumer Goods and Health and Beauty sectors with product and services that are used as strategic tools in driving their own sales volumes, via gift with purchase promotions through a mixture of retail outlets including supermarkets, pharmacies and online sales.

From a low point of sales orders received in April of 31% of prior year, total Brand Addition sales orders received and invoiced in Q4 20 recovered to 75% of prior year.

As sales activity was impacted towards the end of Q1 20, Brand Addition took swift action to protect its people and the value within the business. Our teams began to work from home, wherever possible, with the business remaining operational throughout the year. In the uncertainty surrounding the potential length of lockdowns and the associated impact upon our sales, a cost reduction programme was launched at the beginning of Q2 20. Of the total savings made in the year of circa £4.3m, £3.3m of these were made through Q2 and Q3, via a mix of reduction in non-essential spend, use of government furlough or equivalent schemes, and the Brand Addition team and The Pebble Group Board taking temporary salary reductions. These salary reductions did not impact team members at the lower end of the pay scale. The highest percentage of reduction was at Board level and was in place for the six months ending 30 September 2020. As we entered Q4 20, we made judgements on our estimated sales activities into 2021 and reduced the total number of people in Brand Addition to 353 (31 March 2020: 392).

The positive momentum in sales orders in Q4 20 resulted in the business performing ahead of revised internal targets for the year. These targets were set at the height of the first phase of lockdowns, when our cost reduction programme was put in place. This performance was due to the huge efforts of our team. In recognition of this result and the way we have aimed to manage the business through this challenging period, we took the decision to return a significant proportion of the temporary salary reductions to our team, and this has been accounted for in our FY20 results. No return of salary was made to the Brand Addition management teams or The Pebble Group Board.

Our careful cost management with gross margins slightly below the targeted long-term average of 30% resulted in Brand Addition Adjusted EBITDA for the year of £5.2m (2019: £10.7m) being 51% below prior year.

Outlook

The Group safely navigated through the challenges of 2020 and, in parallel, reinforced its belief that the differentiated market positions and strategies of its businesses continue to provide significant opportunity for growth.

We have made a positive start to the new financial year at Facilisgroup. On 19 March 2021, total Partners had increased to 180 (31 December 2020: 175), with a further 5 contracted, awaiting implementation, and our Q1 21 performance is expected to be firmly on track with management expectations.

Our ecommerce platform based on the acquired software assets is developing to plan. In April 2021, we are launching our first ecommerce stores solution. There has been a positive reaction from Partners with 41 pursing access for the initial launch. We will continue to develop this software through 2021 and expect to have a full suite of online stores capabilities available in H1 22.

At Brand Addition, we have had particularly strong order intake for sales to be invoiced in 2021 from our Consumer Promotions division, where existing clients have continued to consolidate their spend through Brand Addition and invest further in this strategic marketing category. The recovery of our Corporate Programmes division will benefit from a full year impact of our 2020 new client wins and we expect the current plans for the lifting of lockdown restrictions to aid the recovery of like-for-like client sales. We are currently targeting a return towards 2019 revenue levels in the full year ending 31 December 2021. On 19 March 2021, total orders invoiced or received for 2021 were £41.6m (2020: £31.5m, 2019 £31.4m).

The pandemic has temporarily interrupted the trajectory of our growth, but we are confident that the opportunities for our Group remains strong. We look forward to updating shareholders on the progress of the Group throughout the year.

Christopher Lee
Chief Executive Officer
23 March 2021

Our strategy in action

Becoming a partner of choice.

The promotional products sector globally is estimated to be between $40m and $50m. We believe that the market is evolving quickly and is growing in importance in the world's most sophisticated economies.

Promotional product strategies operated by some of the world's largest organisations served by The Pebble Group are about more than promoting brands. They focus on building customers relationships, creating engagement with employees, and building loyalty. Giving reward to customers and followers.

Brand Addition focuses exclusively on supporting these organisations through the design, sourcing and delivery of exciting product, matched with services that meet the sustainability and efficiency requirements of global businesses.

The market is highly fragmented. The Pebble Group is one of the largest businesses in this market but we, together with the other large operators, account for less than 10% of the market with the remainder accounted for by small and mid-tier operators. These small and mid-tier-market operators are often unable to maximise their potential because they cannot independently leverage the best technology or buying power available in the industry.

Facilisgroup supports these businesses in North America by providing a spectrum of technology that powers the efficiency and growth of these entrepreneurial businesses.

Strategic Objective	Progress made in the year	Priorities for 2021
Organic growth opportunities		
Brand Addition		
Win additional major client contracts	Two significant global contracts were won and signed in the year. Both wins contributed to revenues in 2020 and will have a full year impact in 2021.	Continue to develop our Win, Grow, Retain, Repeat model, attracting a number of significant client contracts.
Increase spend from existing clients	Within our Consumer Promotions division, we were able to grow our market share within a number of client relationships, supporting the sales of their products. Client spend reduced in our Corporate Programmes division where COVID-19 severely disrupted client activities.	Build upon the robust performance of our Consumer Promotions division and achieve the return to growth within our Corporate Programmes division. Our target is a return towards the total Brand Addition revenues of FY19.
Retain major client relationships to add long-term value to the business	Our Top 20 clients, historically representing between 60% and 70% of annual revenues, remained clients at the end of 2020.	Continue to evolve the services provided to our existing client relationships that result in the retention of our Top 20 clients and deliver long-term value to the business.
Facilisgroup		
Attract additional Partners and customers	Growth in Partner numbers is a key indicator of future performance and we continued this acceleration with Partner numbers increasing from 149 to 175 in year.	Continue to attract new Partners to our existing model, setting the internal target of 205 total Partners by the end of 2021.
Extend the technology services to increase recurring revenues with existing and new Partners/customers	Investment continued into evolving our existing technology to improve the services we offer to our Partners and Preferred Suppliers. In December 2020, we acquired software assets that we will develop further to offer a range of e-commerce stores to increase new services to existing Partners and attract new customers to Facilisgroup.	Develop our e-commerce services to be able to offer a wide range of online store solutions for both existing Partners and non-Partners.
Adapt our technology products and business model to support the emerging entrepreneurs within the industry	Developed our strategy and set our internal aspirations to evolve our technology to support this large part of the market, starting in 2022.	Develop our technology and business model to be able to launch in 2022.
Selective consideration of acquisitions by the Group		
The Pebble Group		
Deploy capital on selective acquisitions that accelerate the ability of the Group to create long-term value through additional technology products or the ability to expand into additional sectors or geographies	Following feedback from our Facilisgroup Partners and our desire to continue the evolution of our business model, we acquired software assets in December 2020 that will accelerate to market a new technology product for Facilisgroup, providing a range of online stores. Developing this product further in 2021, we expect a significant increase in our recurring revenues from 2022 onwards.	The Pebble Group has successfully created excellent value to shareholders through acquisition, making three significant acquisitions since 2016. Acquisition opportunities will continue to play an important role in the long-term development of the Group.

Listening to our stakeholders.

The Board considers engaging with our diverse stakeholder base as key to successfully managing The Pebble Group and understands its duties under section 172 of the Companies Act 2006.

The disclosures that follow describe how, in taking strategic, financial and operational decisions, the Board and all senior managers in line with section 172 have regard to the Company's stakeholders and as a result promote the success of the Company for the benefit of its members as a whole.

This comes naturally to The Pebble Group where our emphasis as a business is that decisions are taken with regard to acting equitably, for the long term, considering the interests of all stakeholders and being aware of the impact of our actions on the communities and environments in which we operate, always aiming to maintain a reputation for having high standards of business conduct.

Principle decisions made in the year:

- Acquisition of software assets in December 2020
- Headcount reduction at Brand Addition as COVID-19 affected trading
- Appointment of Group Senior ESG Officer and General Counsel and Company Secretary

Stakeholder engagement

In meeting its obligations under section 172, The Pebble Group has identified four key stakeholder groups.
It recognises that the purpose of stakeholder engagement is: (i) to ensure that the perspectives, insights and opinions of stakeholders are understood; and that (ii) the Company has regard to those that are relevant when key strategic, financial or operational decisions are being taken; and that (iii) effective stakeholder engagement and consideration supports The Pebble Group's goal of ensuring long term shareholder value.

Stakeholder interests are regarded as far as they are relevant when information and recommendations are presented to the Board. In 2021 the Board has evolved its reporting process to facilitate this, and to continue to ensure that appropriate time is allotted to take account of these factors during Board discussions and decision making.

The Board recognises that developing stakeholder relationships and maintaining effective stakeholder engagement will help make The Pebble Group a company that people want to work with, invest in, buy from and sell to. The Board's decisions aim to promote the success of the Company for the benefit of its members as a whole and in taking decisions, the Directors take account of all relevant stakeholders, rather than any single stakeholder group, therefore it is important to recognise that this may not result in a positive outcome for every stakeholder interest. By considering the Company's vision, culture and values, together with its strategic priorities when making each decision, the Company's goal is to make robust and sustainable individual decisions that are coherent as a whole. Sustainable not only in the context of our impact on the environment and society, but also in the longevity of our business relationships with our suppliers and clients, and also in the careers of our people.

Our stakeholders

The Company has identified the four key stakeholder groups set out below, the issues that are most relevant to each of them and details how it has and continues to engage with each of them.

Our teams

Why we engage

The sustainable success of our business is dependent upon the continued development of, and investment in our teams of highly talented and dedicated people. We aim to create a positive and inclusive culture within which our talented and dedicated team can thrive and grow.

How we engage

- Team feedback surveys
- Structured personal development plans
- Communications directly from our CEO and senior managers
- Sales and management conferences
- Business performance and strategy updates
- Management development programme
- Employee forums and panels
- One-to-one discussions
- Encouragement of feedback from the team including an anonymous whistleblowing contact

Key topics of engagement

- What is the Impact of COVID-19 on the Company? How are we responding to this? What does this mean for our teams and me? What are the permanent changes to the way our Company works that result from COVID-19?
- How are we providing our teams with opportunities to develop and grow and reach their full personal potential?
- How are we embracing diversity and inclusion?
- How are we managing the social and environmental impact of our organisation?
- How can the Company support my mental health?

Impact of engagement

- Our teams were kept fully informed of the business' performance, direction and thinking through the huge challenges created by COVID-19, including those who were on furlough or equivalent schemes
- The dynamic of working from home changed dramatically in the year, whether enforced upon us or requested by our teams. Increased flexibility of working locations will remain a permanent change
- Due to the impact of COVID-19 related lockdowns on the sales performance of the business, at the end of Q3 the Company made the decision to make permanent changes to the Brand Addition headcount. Through established channels of communication, these decisions were communicated directly, sensitively and with compassion
- Increased focus on growth created opportunity at Facilisgroup. Leaders were promoted from within, alongside new talent also being added from the outside. Staff development plans for ongoing advancement were a key focus
- Implementation of ESG targets to the business

Clients and Partners

Why we engage

Our objective at The Pebble Group is to attract and retain a quality client and Partner base from which we grow long-term relationships for the benefit of all parties. Continued investment into our technology, services and people to enhance these relationships will create long term value for all.

How we engage

- Formal periodic performance reviews
- Regular one-to-one feedback discussion across multiple client touch points
- In person and virtual events to update on the objectives of the business and provide opportunity for shared learning experiences
- Client surveys and feedback questionnaires including Net Promoter Scores
- Annual feedback surveys

Key topics of engagement

- What is the impact of COVID-19 on the Company? How are you responding to this? How can you support clients and Partners during this time?
- How can you support clients and Partners to deliver on our ESG commitments?
- How is the business developing its capabilities to ensure continual improvement in the services you deliver?

Impact of engagement

- Client and Partner meetings and events have continued, albeit virtually. The key messages regarding the impact of COVID-19 and our approach to responsibly manage through was regularly and consistently shared
- Although some areas of our business were impacted through reduced sales, our client and Partner relationships are valued for their long term nature. We continued to focus on retention and delivering high quality services across the Group
- Brand Addition has placed sustainability at the centre of its business through its 5-year strategic development plan – ba.ONE, sustainability and growth. Supporting this, we have recruited a Senior ESG Officer and Sustainability Manager
- At Facilisgroup, understanding our Partner's needs for an e-commerce sales platform was integral to the Board's decision to acquire the software assets in December 2020

Strategic suppliers

Why we engage

The quality of the products and services we deliver to our clients and Partners is heavily influenced by the careful management of our important supplier relationships. Alongside seeking new supply routes to enhance our business offering, we collaborate with a key group of suppliers in Asia, Europe and North America. Developing long-term relationships builds trust and support as partners.

How we engage

- Formal written contracts negotiated transparently and openly
- Face-to-face meetings to discuss performance and feedback
- Ongoing two-way evaluation processes to facilitate business improvement and address ultimate customer demands
- Supplier networking events providing efficient, easy access to opportunities to develop and grow
- Formal audit processes providing feedback and development opportunities

Key topics of engagement

- What is the impact of COVID-19 on the Company? How is this going to impact our relationship in the short and medium term?
- What can we do in the short term to support you and your clients?
- What are the trends in development of your business that we should be aware of to support our relationship in the future?
- How is your organisation implementing efficiency strategies?
- How is your organisation implementing ESG, specifically around environmental impact related to your product, packaging, and supply chain?

Impact of engagement

- Supplier meetings and events have continued, albeit virtually. The key messages regarding the impact of COVID-19 and our approach to responsibly manage through was regularly and consistently shared
- Although traditional promotional product spend with our suppliers reduced, many were able to switch to the sales of Personal Protective Equipment which supported our clients and Partners
- As our business places further priority on ESG and sustainability, we have shared these initiatives with our key suppliers, seeking their involvement and support
- Supplier engagement upholds the Facilisgroup business value of partnership. Ensuring support and community between the supplier partner and distributor partner creates additional opportunities for all

Shareholders and the wider investment community

Why we engage

We are seeking to attract shareholders who are aligned with our long-term objectives for the Group. Access to long-term capital supports our long-term strategy and we will therefore engage to help investors develop their understanding of our business model, strategic objectives and culture. Through open and transparent engagement with the investor community, we aim to provide it with the information it requires to make informed judgements about the Group.

How we engage

- Annual Report and Accounts
- Regular trading updates
- Investor Relations website
- Annual General Meeting
- One-to-one investor meetings or calls with the CEO/CFO at the full year and interim results
- Written responses from the Chairman where requested
- Ad-hoc meetings, calls or written responses as requested by existing and potential shareholders and analysts
- Participation in formal broker-hosted events
- Broker, investor and analyst feedback

Key topics of engagement

- What is the impact of COVID-19 on the Company? What is the Board's planned response?
- What are the permanent changes to your industry or business due to COVID-19?
- What are your organic and acquisitive growth opportunities?
- What is The Pebble Group's approach to Environment, Social and Corporate Governance issues?
- What is The Pebble Group's approach to diversity and inclusion?

Impact of engagement

- Regular and detailed trading updates to ensure the impact of COVID-19 across the Group's operations and financial performance is understood
- Availability of CEO and CFO to answer questions throughout the year and particularly at the time of trading updates
- Appointment of key strategic roles within the Group, General Counsel and Company Secretary and Senior ESG Officer
- Investor relations activity is provided at all Board meetings
- Participation in formal broker-hosted events to extend reach and access to management
- Planned participation in an open access Investor Relations presentation of the FY20 results with the aim of widening investor knowledge and understanding of the Group

Environmental, Social and Governance ("ESG")

ESG is fundamental to The Pebble Group, its operations are built on a foundation of integrity, transparency and fairness. The Group employs a Senior ESG Officer, the Group's Chairman has Board responsibility for ESG and the CEO leads on ESG.

Our approach to ESG has been informed by listening to our teams, our clients and Partners, suppliers, and investors, enabling the Group to focus on the key areas which are both important and relevant to our business. In order to report on how the Group is performing on these key areas, we have developed a bespoke framework that we can meaningfully report against.

The framework consists of four cornerstones that shape the foundations of our ESG, define our areas of priority and highlight our targets and aspirations.

The action points supporting each of the cornerstones has been ranked to provide a snapshot of our progress towards our goal as defined below:

- ●○○ Planning or early stages
- ●●○ Plans in place and improvements being made
- ●●● Clear targets, advanced stages & continual improvement

The Pebble Group
Cornerstones of our approach to ESG

Cornerstone	Aim	Environmental	Social	Governance
Impact of our business on our environment and our communities	Our aim is to make a positive, long-term difference to our people and the communities in which we work while minimising our impact on the planet	✓	✓	
Diversity, equity and inclusion	Our aim is to expand, celebrate and embrace individuality and diversity		✓	✓
Board independence, ethics and leadership	Our aim is to promote a culture based upon values and behaviours which stakeholders are comfortable reflects their own, developing long-term relationships between the Group and its stakeholders			✓
Risk management processes	Our aim is to protect the interests of our stakeholders by adopting best practices to embed effective risk management in our organisation and openly measure our successes and areas for development in reducing or mitigating the risks that the Group faces	✓	✓	✓

Impact of our business on our environment and our communities

Our aim is to make a positive, long-term difference to our people and the communities in which we work while minimising our impact on the planet.

Our ambition is to be recognised by our stakeholders as leaders in the industry on sustainability, through our commitment to a strategy that has the foresight to recognise our responsibility for delivering a better future.

Energy Management – Minimising our Environmental Impact

Actions being taken	Progress highlights to date and in 2020	Future plans
Energy monitoring	Energy monitoring and reduction plan in place across our European sites. Energy reduction of 25% in Europe (29% in the UK) – (see carbon reporting table on page 66).	We will continue to expand the scope of our energy and carbon monitoring across the Group and target further savings against our baseline to reduce our carbon footprint. We are focused on the energy we use and aim to switch to sourcing our energy from renewable sources where possible. As a Group we aim for transparency and in addition to publishing our energy use and carbon footprint, we will expand our data collection and reporting.
Carbon reporting and reduction	UK emissions reduced by 30%, in part due to COVID-19 lockdowns (link to detail in the Directors' report). Made our first public disclosure on annual carbon usage as part of SECR.	

Product Sustainability – Promoting sustainable product offerings

Actions being taken	Progress highlights to date and in 2020	Future plans
Developing sustainable product choices	Development of sustainable products to meet customers' needs such as RPET clothing, notebooks made from recycled coffee grains and sourcing products made from sustainable materials (see case study on page 25).	Our Brand Addition business will continue to increase the range of sustainable products presented to its clients alongside supporting them in the development of bespoke sustainable products. It is our intention to ensure that customers are always presented with a sustainable product option or a product that offers a social benefit.
Products that support community projects	Working with suppliers to identify exciting products in core categories that provide a social benefit such as a project that contributed towards a water pump being built in India.	

Impact of our business on our environment and our communities

Waste Minimisation – Reducing waste and promoting recycling and re-use

Actions being taken	Progress highlights to date and in 2020	Future plans
Use of recycled packaging materials	All shipping cartons used in our warehouse and logistics centres are 100% recyclable and 70% produced from recycled materials. All offices equipped with recycling stations and water dispensers and all employees issued reusable bottles.	The Group's ongoing focus is to continue to minimise waste from the packaging used in its own operations, aligning across each of its sites and working with its supply chain Partners to ensure that packaging is kept to a minimum, the materials used are recyclable and free from single use plastic wherever possible.
Reduction of single use plastic	All plastics used in our European warehouses and logistics centres have been replaced with paper-based alternatives.	

Community Projects – Supporting our local communities

Actions being taken	Progress highlights to date and in 2020	Future plans
Charity support	Faciliscares – Facilisgroup Partners continued to support local projects through a wide range of different charitable acts, ranging from monetary and meal contributions to producing and distributing PPE.	As a Group we are committed to making a positive difference to the communities in which we work. Our intention is to move back to event-based charity support with Partners and through Facilisgroup events. Our employer supported volunteering project has also been introduced at Brand Addition to encourage team members to engage in worthwhile activities for the local community.
Volunteering	Mission St Louis' Affordable Christmas (link to case study). Brand Addition launched employer supported volunteering, aligning with the initiative already in place with Facilisgroup, entitling all employees two days per year to support community projects.	

Accreditations – Working to recognised frameworks

Actions being taken	Progress highlights to date and in 2020	Future plans
EcoVadis	Platinum status achieved (link to case study).	EcoVadis will continue to be used as a third-party tool to evaluate Brand Addition's business commitment to sustainably and we aim to maintain its platinum status by continually improving its systems.
ISO Certification	Continuation of ISO9001, ISO14001 & ISO50001 management system certification.	The Group intends to maintain its ISO certifications across its UK operations and will evaluate the possibility of expanding the scope of these management systems to include our other sites.

Growth & Development – Supporting growth and development of our team members

Actions being taken	Progress highlights to date and in 2020	Future plans
Training	Training and continuous development moved online due to COVID-19.	Growth and development is key to our ongoing success across the Group. Each of our businesses continue to support, encourage and develop future learning opportunities. In 2021 our Brand Addition business is developing a central learning hub to support employee growth and development. We will continue to conduct employee engagement surveys and use the feedback to generate action plans for improvement.
Engagement	Periodic engagement surveys undertaken with positive employee engagement scores. 78% Facilisgroup and 81% Brand Addition.	

Health, Safety & Wellbeing –Providing a safe work environment and looking after our team members

Actions being taken	Progress highlights to date and in 2020	Future plans
Health & Safety	No reportable accidents or incidents.	The health, safety and wellbeing of our staff remains paramount. Throughout 2021 we will continue to support our staff through a combination of on-site and remote working, encouraging team get-togethers and providing useful information to ensure staff remain well connected and encourage a healthy work life balance.
Wellbeing	Supported staff through COVID-19 through online sessions promoting togetherness such as Facilisgroup's "Together from home" and through targeted communications promoting health, wellbeing and maintain a positive work-life balance.	

Business strategies – Long term strategies, aligned with our ambitions

Actions being taken	Progress highlights to date and in 2020	Future plans
ba.ONE	ba.ONE strategy launched (link to case study).	The launch of the ba.ONE strategy in 2020 will ensure that sustainability is a key focus area for our Brand Addition business. It will allow long-term sustainability targets to be set across the business which are linked to our Group ESG cornerstones and encourage future growth and development.

Sustainability

Supporting Case studies

Corporate and social responsibility recognition – EcoVadis

Our Brand Addition business achieved platinum status from its annual EcoVadis assessment which positioned them within the top 1% of similar companies in their approach to sustainability, improving their score by two points from 2019 to 76/100.

The assessment reviewed the approach of four key areas (Environment, Labour & Human Rights, Ethics & Sustainable Procurement) and how the business addresses these areas including any actions to minimise their overall impact on the environment. EcoVadis provides an independent, trusted, common platform for evaluating and rating more than 65,000 groups and companies across 200 industries in 160 countries using CSR assessment criteria based on recognised sustainability standards.

New strategies launched – ba.ONE – Sustainability & Growth

2020 saw the launch of the ba.ONE strategy focusing on sustainability and growth of the business over the next five years in five key areas:

Leading through sustainability, enhancing existing relationships, attracting new long-term partnerships, focusing on efficiencies, with people being the fifth area at the heart of the plan. This framework allows Brand Addition to ensure that sustainability is embedded in all future activities and becomes a key driver across the business by developing specific plans linked to each pillar to meet and exceed objectives supporting future business growth and development.

Supply chain compliance with our environmental and social standards

Our Brand Addition business has a robust vendor management process. All direct sourced suppliers (manufacturers) based in Asia or high-risk countries undergo a vendor audit assessment prior to any order being placed. The audit is carried out onsite, where possible by a Brand Addition team member using our own vendor assessment audit procedures which are constantly developed. The audit covers: Factory management and conditions, quality assurance, product specific processes, production capacity, vendor management, product development, ethical, environmental and traceability. Each supplier is assessed against these criteria and only used if they meet our requirements. Indirect sourced suppliers (importers, wholesalers and decorators) are assessed on a rolling basis following the same approach undertaken with manufacturers with audits prioritised based upon spend, product risk and location.

All suppliers within the supply chain must be registered within the Group's ERP system ensuring that only approved suppliers can be used. There are many suppliers available through the Group's ERP system and as a result it offers the flexibility to source similar goods from multiple sources, without reliance on any single supplier.

All products are fully traceable within the ERP system through a unique PO number that enables the manufacturer to be identified from their specific batches.

In Facilisgroup, all preferred suppliers undergo a desktop assessment based upon an extensive list of environmental and social standards to ensure ethical standards are upheld throughout the supply chain. These standards cover human rights, labour laws, workplace conditions, toxic levels in inks, risk assessments, product testing, factory audits, QC inspections, and other social conduct topics.

Product sustainability

Brand Addition has been working with its clients to develop sustainable RPET workwear and clothing ranges.

These products are made from recycled polyethylene tetraphyte (PET) which is used in the manufacture of many different plastic items such as food packaging or water bottles. The introduction of these RPET products contributes to the circular economy by reusing and recycling waste materials.

Identifying products within our supply base that support local community projects. By our Brand Addition business working closely with suppliers, we are able to offer clients inventive solutions adding value by supporting initiatives such as clean water projects. One particular project supported the building hand pumps to provide clean water to communities in India.

Community Support Projects

Our Faciliscares programme started in 2019.

This initiative encourages charitable activities in our business and with our Partner (customer) community. At our Facilisgroup events, we choose to support a locally based charity, and work with our partners raising money and offering practical support. Despite the challenges introduced due to COVID19, in 2020 our Partners have continued to support local projects through a wide range of different charitable acts, ranging from monetary and meal contributions to producing and distributing PPE. In December, the Facilisgroup team assisted 'Mission St. Louis' with their 'Affordable Christmas' event providing toys and other wish list items to support local families.

Sustainability

Diversity, equity and inclusion

Our aim is to expand, celebrate and embrace individuality and diversity.

Our ambition is to deliver the best possible outcomes for everyone by promoting diversity, fostering a positive work ethic, being results and client focused while committed to doing the right thing.

Actions being taken	Progress highlights to date and in 2020	Future plans
Diversity, Equity & Inclusion Training ◉○○		In 2021 all of our senior management teams will undergo training in this area to ensure a common understanding across the Group. The training will be used to support the review and improvement of our policies and develop objectives to support our aims and ambitions.
Staff diversity ◉◉○	Gender diversity analysis undertaken. 62% of employees are female. 40% of the PLC board are female.	In 2021 we are committed to publishing the full results of our initial diversity study across the Group, providing transparency of our workforce to our stakeholders. It is our intention to improve on this initial report increasing the scope of the data captured and updating on the actions being taken to embrace and expand Group diversity.
Employee surveys ◉◉○	Brand Addition carried out an anonymous survey on the Group's diversity and inclusion. The survey revealed over 90% of staff felt valued and respected. The results of the survey have informed actions to further improve performance.	Employee surveys play an important part in ensuring that meaningful data is captured to measure our success and allowing our businesses to determine areas of focus and where action needs to be taken. It is our commitment to ensure that employee surveys are undertaken every two years as a minimum with more frequent surveys undertaken as required.
Gender pay ◉○○		It is our intention in 2021 to conduct our first gender pay review across our UK business. The results collected will be analysed and used to help make informed decisions on what actions we are going to take in this area.

Board independence, ethics, and leadership

Our aim is to promote a culture based upon values and behaviours which stakeholders are comfortable reflects their own, developing long-term relationships between the Group and its stakeholders.

Our ambition is to ensure sound decision-making, through implementing best practice and maintaining governance structures and processes together with the ability to exercise personal judgements to reflect the standards expected by all stakeholders.

Actions being taken	Progress highlights to date and in 2020	Future plans
QCA code	Appointment of Group General Counsel and Company Secretary. Assessment of Board, Committee, and individual Director effectiveness. New Board reporting template adopted. Further information is set out in the Corporate Governance Statement on pages 46 to 51.	To ensure effective corporate governance, the Group has adopted the QCA code and will continue to review and evolve the application of its principles in key areas such as: ensuring governance structures remain fit for purpose, an increased focus on succession planning in the context of diversity, equity and inclusion and Board opportunity for development of skills and capabilities through seminars and training courses.
ESG management	Appointment of a Group Senior ESG Officers.	To evolve and develop the Group's ESG framework and to provide transparency across the Group's activities, publishing results and our future plans.
Code of ethics	Business code of ethics in place across the Group and our supply chain. Whistleblowing policies updated across the Group and the implementation of a Group whistleblowing portal.	Continue to uphold our code of ethics in place across the Group, ensuring that regular reviews are undertaken and updates are made as required.

Risk management process

Our aim is to protect the interests of our stakeholders by adopting best practices to embed effective risk management in our organisation and openly measure our successes and areas for development in reducing or mitigating the risks that the Group faces.

Our ambition is to demonstrate constant improvement to the Company's risk management framework in identifying and addressing our Group risks to execute and deliver our strategy and ensure long-term stakeholder value.

Actions being taken	Progress highlights to date and in 2020	Future plans
QCA Code ◉◉○	Information on the Board's approach to risk management is set out in Principle 4 of the Corporate Governance Statement on page 47. Information on managing our key risks and uncertainties is set out in the Risk Management section on page 38.	To utilise the Group Executive Committee established in 2021 as a forum to further improve corporate governance, monitoring and risk management across the Group. Review and evolve risk management framework, business risk and opportunities ownership and reporting processes across the Group to ensure that they remain fit for purpose, seeking to identify areas for development and improvement in the identification and escalation of emerging risks.
Audit Committee ◉◉◉	Board committee to oversee, monitor and mitigate risk. Information on the Board's approach to risk management is set out in Principle 4 of the Corporate Governance Statement on page 47. Information on managing our key risks and uncertainties is set out in the Risk Management section on page 38.	Review and evolve processes in place to ensure that they remain fit for purpose.
Delegated Authority ◉◉○	Board approved delegation of authority in place.	Continue to review and identify areas of development to make this more granular.
Group Policy Review ◉◉○	Initial policies in place.	Continue to review and identify areas for development and improvement such as operational risk, information security and third-party management policies.
Ethical supply chain monitoring ◉◉◉	Robust vendor management process in place to ensure that suppliers adhere to strict ESG requirements. In 2020, 224 audits were conducted (link to case study).	The Group will continue to ensure that robust measures are in place to assess our suppliers' approach to ESG. It is our intention to continually improve our processes in this area. We plan to review the consistency of supply chain monitoring across the Group and adjust where needed to ensure alignment.

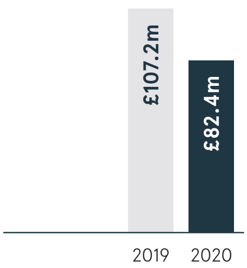
Key performance indicators

Measuring our performance.

Group

REVENUE GROWTH

-23.1%



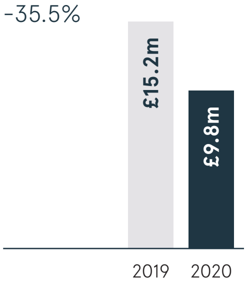
Why we measure it
Year on year growth in revenue indicates progress against both short-term plans and long-term strategy.

Comment
The reduction in revenue in 2020 reflects the impact of COVID-19 on the corporate programme division of Brand Addition.

ADJUSTED EBITDA*

£9.8m

-35.5%



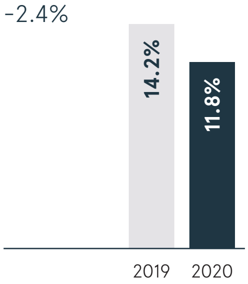
Why we measure it
Year on year growth in Adjusted EBITDA indicates progress against both short-term plans and long-term strategy. Management believe this adjusted measure is more appropriate in understanding the underlying trading performance of the business.

Comment
The reduction in Adjusted EBITDA in 2020 reflects the lower revenue. This was partly offset through cost savings, including £1.9m of government support, salary and headcount reductions and reduced travel and entertainment spend.

RETURN ON REVENUE

11.8%

-2.4%



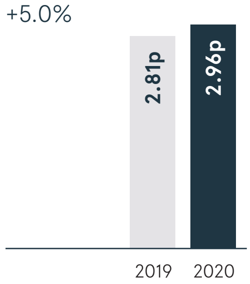
Why we measure it
Return on revenues is calculated as Adjusted EBITDA as a percentage of revenue is an important measure for the Group illustrating its ability to grow revenue profitably whilst maintaining control over its margins and costs.

Comment
The Group reduction of 2.4% reflects the impact of COVID-19 on revenue and Adjusted EBITDA at Brand Addition. Revenue growth of 5.1% in Facilisgroup which generates Adjusted EBITDA returns in excess of 50% has provided some protection to the reductions in Brand Addition.

ADJUSTED EARNINGS PER SHARE

2.96p

+5.0%



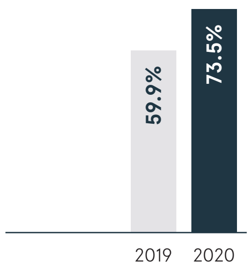
Why we measure it
This measure illustrates the profitability of the Group in relation to the number of shares in issue and is therefore an important metric in demonstrating the delivery of value for our shareholders.

Comment
Adjusted earnings per share is profit after tax before amortisation of acquired intangibles, share-based payments charge and exceptional items divided by the weighted average number of shares in issue (2019 is shares in issue post admission on 5 December 2019).

Adjusted earnings per share were 2.96p against 2.81p in 2019. The figure for 2020 has improved on 2019 as the Group did not incur interest charges associated with pre IPO debt.

UNDERLYING OPERATING CASH FLOW CONVERSION

73.5%



Why we measure it
This is used by the Group to monitor the ability to turn profit into cash.

Comment
Underlying operating cash flow is operating cash flow excluding exceptional cash flows on non-trading items. Strong cash flow conversion in 2020 reflects tight working capital management.

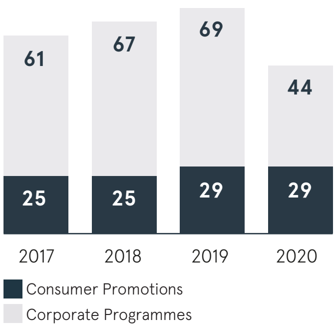
* See the CFO Report on page 37.

Key performance indicators

Group companies
Brand Addition

Revenue analysis – Win, Grow, Retain, Repeat

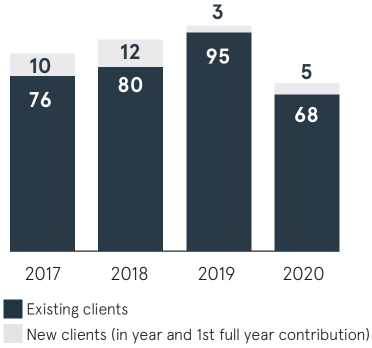
REVENUE BY SERVICE TO CLIENTS £'m



Why we measure it
Brand Addition revenues can be categorised into two distinct divisions; Consumer Promotions that support our clients in driving their own sales targets, and Corporate Programmes that support our clients' general marketing activities. These divisions can respond differently to different market conditions and therefore analysing the revenue split is important.

Comment
Consumer Promotions were not impacted by the pandemic in the same way as Corporate Programmes, with 2020 revenue remaining flat with 2019.

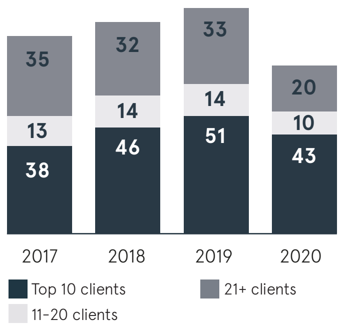
REVENUE FROM EXISTING AND NEW CUSTOMERS £'m



Why we measure it
Brand Addition has excellent levels of client retention which provides the business with good visibility of revenues and informs the view of future performance. Retaining and growing existing clients while successfully implementing new business is fundamental to the growth strategy of Brand Addition.

Comment
Revenue contribution from existing customers was down in 2020 due to the impact of COVID-19 on Corporate Programmes. Although total revenues from existing clients were down, encouragingly, Brand Addition retained all major existing customers in 2020.

REVENUE BY CLIENT CONCENTRATION £'m

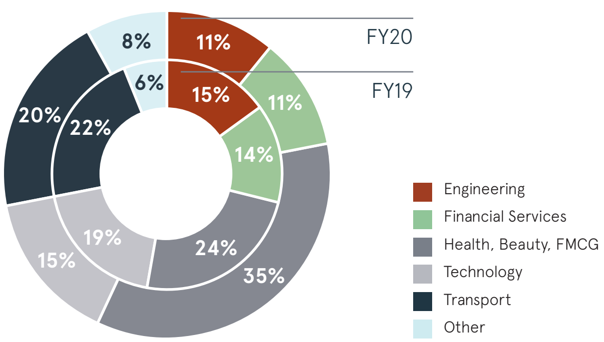


Why we measure it
Brand Addition tracks revenue by client concentration as continued success of these larger clients is central to delivering on our strategy of Win, Grow, Retain, Repeat.

Comment
The top 10 clients contributed 59.4% of total revenue in 2020 (52.4% in 2019). Our focus on attracting global contracts has led to our top 20 clients growing as a percentage of overall revenues.

Revenue diversity – Strong sectors across multiple geographies

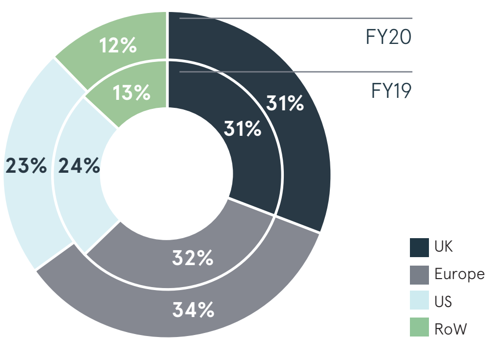
REVENUE BY CLIENT SECTOR %



Why we measure it
Brand Addition works with clients across a wide range of sectors. This level of diversity provides protection against economic or regulatory factors which may impact specific sectors.

Comment
Clients in the health and beauty sector contributed 35% of revenue in FY20. These clients operate in the Consumer Promotions division of the business and were less heavily impacted by the pandemic. There was strong diversity across other sectors.

REVENUE BY DESTINATION %



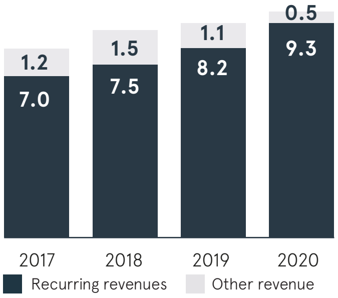
Why we measure it
Brand Addition has a global client base and is well diversified across geographies, providing resilience to market conditions that could affect specific geographies.

Comment
In FY20, revenue percentages by destination remained broadly in line with 2019.

Group companies
Facilisgroup

Recurring revenues – High visibility of recurring revenues with a growing customer base

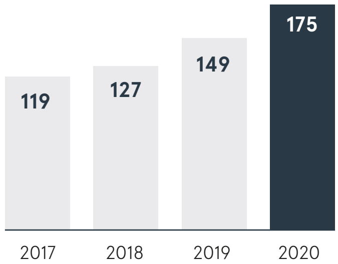
REVENUES £'m



Why we measure it
Tracking recurring revenues provides excellent visibility of future revenue performance.

Comment
Recurring revenues increased by 13% in 2020, driven by the increase in Partner numbers. Recurring revenues comprise 95% of Facilisgroup revenues in FY20.

PARTNER NUMBERS

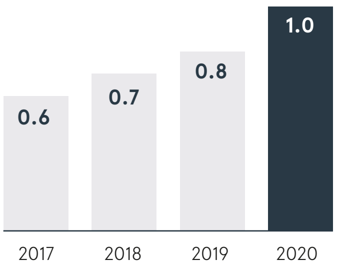


Why we measure it
Responsibly increasing Partner numbers whilst maintaining Partner quality is key to delivery of the Facilisgroup strategy. The engagement of existing Partners and the pipeline of potential new Partners are tracked on a monthly basis to demonstrate progress against this target.

Comment
Facilisgroup increased Partners by a 26 in the year, representing a record number of new implementations combined with almost 100% retention of existing Partners.

Partner activity – High quality Partners under long-term relationships

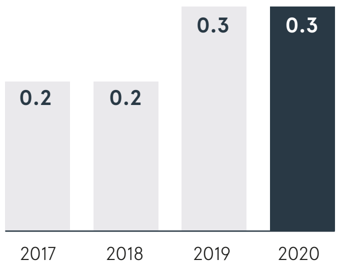
GROSS MERCHANDISE VALUE $'bn



Why we measure it
Tracking the value of sales processed through our technology, sets the pricing of our services to our Partners and allows the Group to monitor both the growth in like-for-like Partner sales, and also overall growth in total distributor sales.

Comment
The sales activity of our Partners resulted in $1.01bn GMV, an increase of $0.2bn on 2019 and a significant milestone for the business in breaking through the $1bn target set at the start of the year.

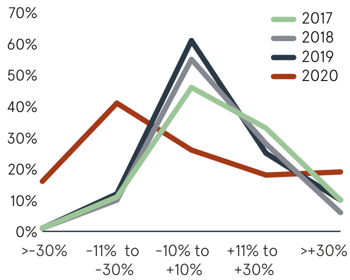
PREFERRED SUPPLIER PURCHASES $'bn



Why we measure it
Consolidating Partner spend through a high-quality supply base that provides excellent service, favourable pricing and rebates for our Partners also generates revenue for Facilisgroup. The level of spend with our Preferred Suppliers is tracked monthly to demonstrate progress against this target.

Comment
Spend through Preferred Suppliers increased in 2020, although as a percentage of GMV this was lower than historically, driven by the swing towards PPE orders through non-preferred suppliers in Q2. Our expectation is that this percentage will return towards 2019 levels in 2021, and this is closely monitored.

PERCENTAGE OF PARTNERS BY GMV GROWTH %



Why we measure it
Understanding the sales performance of our Partners is an indication of our Partner's strength. This was particularly important in 2020 when the industry was significantly impacted by the pandemic.

Comment
The impact of the pandemic on Partner GMV growth is evident through the unusual spread in 2020. Positively, all Partners that entered the pandemic with Facilisgroup remained Partners throughout the year and our expectation is that growth trends will return in 2021.

Chief Financial Officer's review

Results reflect the impact of COVID-19.

	2020	2019	Variance
Revenue	£82.4m	£107.2m	**£(24.8)m**
Adjusted EBITDA	£9.8m	£15.2m	**£(5.4)m**
Underlying operating cash flow	£7.2m	£9.1m	**£(1.9)m**
Net cash position (excluding lease liabilities)	£7.1m	£8.9m	**£(1.8)m**
Adjusted Earnings Per Share	2.96p	2.81p	**0.15p**

Overview

The results for the year reflect the impact of the COVID-19 pandemic on the Group. Revenue of £82.4m (2019: £107.2m) was 76.9% of FY19 and Adjusted EBITDA £9.8m (2019: £15.2m) 64.5% of FY19. It is, however, important to understand that beneath the headlines, the pandemic did not impact the businesses within the Group in the same way:

Facilisgroup continued to grow revenue and EBITDA, implemented a record number of new Partners, 26 (2019: 22), and increased recurring revenues (management fees from Partners and marketing fund from Preferred Suppliers) by 13%.

Brand Addition revenue totalled 74% of the prior year. Sales in our Consumer Promotions division performed robustly. Corporate Programme sales were impacted as lockdowns took hold, recovering with improving momentum through Q4. This momentum included new business wins and implementations, which will support the recovery of this division with a full year sales contribution in 2021.

The Group's balance sheet remains strong and its liquidity position is robust with cash balances of £4.0m at 19 March 2021 with no amounts drawn down on the Company's £10m committed revolving credit facility.

Review of the business

The Group chooses to use adjusted measures as key performance indicators in addition to those reported under IFRS, as they reflect the underlying performance of the business. These adjusted measures exclude certain non-operational and exceptional items, which have been consistently applied in both years presented. The information presented below should also be considered in conjunction with the segmental analysis in the Chief Executive's Review and note 4, which provide further detail on the performance of the separate businesses within the Group.

£'000	2020	2019	Variance
Revenue	**£82.4m**	£107.2m	**£(24.8)m**
Gross profit	**£31.0m**	£40.1m	**£(9.1)m**
Gross profit margin	**37.6%**	37.4%	**0.2%**
Adjusted EBITDA	**£9.8m**	£15.2m	**£(5.4)m**
Adjusted EBITDA margin	**11.9%**	14.2%	**(2.3)%**
Depreciation and amortisation	**£(3.5)m**	£(2.7)m	**£(0.8)m**
Exceptional items	**£(0.6)m**	£(17.4)m	**£16.8m**
Operating profit/(loss)	**£5.7m**	£(4.9)m	**£10.6m**
Net finance costs	**£(0.7)m**	£(5.4)m	**£4.7m**
Profit/(loss) before tax	**£5.0m**	£(10.3)m	**£15.3m**
Tax	**£(0.9)m**	£(2.0)m	**£1.1m**
Profit/(loss) for the year	**£4.1m**	£(12.3)m	**£16.4m**
Weighted average number of shares (2019: pro-forma)	**167,450,893**	167,450,893	**-**
Adjusted EPS*	**2.96p**	2.81p	**0.15p**
Basic EPS	**2.44p**	(12.56)p	**15.00p**

*2019 is based on the weighted average number of shares in issue post Admission.

Revenue

Revenue for FY20 was £82.4m (2019: £107.2m), a reduction of 23.1%. In Facilisgroup, revenue increased in total by a net £0.5m. This was an increase of £1.1m or 13% in annual recurring revenues, offset by a £0.4m reduction following the withdrawal from the supply of ancillary artwork services for which there was a cost saving in Administrative Expenses, and a reduction in ancillary income of £0.2m, as restrictions impacted training and events. Revenue in Brand Addition Consumer Promotions remained flat with FY19 at £28.8m, new business implemented and invoiced in the year was £3.4m, with the balance of £40.4m (2019: £67.9m) being made up from existing Corporate Programme customers.

Gross profit

Gross profit as a percentage of turnover increased during the year by 0.2 p.p.t from 37.4% to 37.6%, largely reflecting the impact of Facilisgroup at 100% gross profit margins being a larger proportion of total gross profit. In Brand Addition, there was a 2.3 p.p.t reduction in the gross profit margin, which moved to 29.2% in the year (2019: 31.5%), as specific promotions enhancing the 2019 number were not repeated, reduced overall volumes impacted the contribution from supplier rebates, and, as indicated for 2021, new business at lower than average initial margins impacted the mix in the short term.

Adjusted EBITDA

Adjusted EBITDA was £9.8m (2019: £15.2m), the movement from 2019 is made up as follows:

- Facilisgroup £0.9m of which £0.5m came from an increase in revenues, the balance from cost savings as travel and events did not take place due to COVID-19 restrictions.
- Brand Addition £5.5m reduction. This was after £2.3m of contributions or savings from the use of Government furlough or equivalent schemes, £0.7m temporary salary reductions from the Brand Addition team and The Pebble Group Board, and a £0.8m reduction in non-essential spend. Further savings of £0.5m were generated from a permanent reduction in headcount.
- Central costs increased by £0.8m in the year, as 2020 was the first full year that the Group carried the costs of being listed.

The Adjusted EBITDA margin reduced by 2.3 p.p.t from 14.2% to 11.9% as a result of the reduced contribution from Brand Addition. As trading volumes return to 2019 levels, our expectation is that the EBITDA margin will also return to 2019 levels.

Chief Financial Officer's review

Depreciation and amortisation

The total charge in the year was £3.5m (2019: £2.7m), of which £2.0m (2019: £1.5m) related to the amortisation of intangible assets. In accordance with IAS 38, the Group capitalises the costs incurred in the development of its software and the increase in the year is a result of the Group's continued investment in its proprietary technology. It is the Group's intention to continue this investment and it is expected that this charge will increase in the next financial year.

Exceptional items

	2020	2019	Variance
Exceptional items			
Reorganisation and restructuring	**£0.4m**	–	**£(0.4)m**
Transaction and IPO related costs	**£0.2m**	£3.9m	**£3.7m**
Deferred consideration payments to Facilisgroup vendors	**–**	£13.5m	**£13.5m**
Total	**£0.6m**	£17.4m	**£16.8m**

Exceptional costs of £0.6m (2019: £17.4m) comprise £0.4m restructuring costs in Brand Addition, arising as a result of changes made to headcount to align people costs with anticipated ongoing sales volumes. Transaction costs of £0.2m (2019: £3.9m) relate to the Facilisgroup software acquisition. Total transaction related costs were £0.2m, of which £0.1m has been capitalised and included within intangible assets in accordance with IAS 38. Transaction costs in the prior year were the costs associated with the Group's admission to AIM on 5 December 2019.

Deferred consideration payments of £13.5m in 2019 arose on settlement of outstanding consideration payments to the vendors of Facilisgroup. As the sale and purchase agreement for the acquisition of Facilisgroup specified deferred payments would only be payable in the event the vendors remained as employees of the Group, IFRS 3 required these payments be treated as remuneration for post-acquisition services and the costs charged to the profit and loss account over the deferral period. As all amounts outstanding were settled on Admission to AIM, these were charged to the income statement in 2019 and included as an exceptional item.

Operating profit/(loss)

The above resulted in Operating profit for the year of £5.7m (2019: £4.9m loss).

Finance costs

Net costs of £0.7m in the year (2019: £5.4m) include interest on the utilisation of the Group's committed RCF facility during the year of £0.2m and interest costs on leases capitalised in accordance with IFRS 16 of £0.4m. The prior year number included interest costs relating to Group's capital structure prior to Admission to AIM. The costs for 2020 are representative of ongoing expectations.

Taxation

The total taxation charge was £0.9m (2019 : £2.0m) giving rise to an effective rate of tax of 18.0% (2019: -19.4%). The effective rate of tax was marginally lower than the UK standard rate of taxation as the Company benefitted in the year from corporate interest rate deductions that were previously disallowed for taxation purposes. The prior year effective rate was impacted by the tax treatment of the exceptional item relating to Facilisgroup deferred consideration for which no tax deduction was available. In future years we expect the Group's effective rate of tax to remain close to the UK corporation tax rate although this will be impacted by the amount of profit the Group earns in overseas jurisdictions where corporation tax rates are higher than those of the UK.

Earnings per share

The earnings per share analysis in note 11 covers both adjusted earnings per share (profit after tax before amortisation of acquired intangibles, share-based payments charge and exceptional items divided by the weighted average number of shares in issue during the year), and statutory earnings per share (profit attributable to equity holders divided by the weighted average number of shares in issue during the year). Adjusted earnings (profit after tax before amortisation of acquired intangibles, share-based payments charge and exceptional items) was £5.0m (2019: £4.7m) an increase in adjusted basic earnings per share (2019: pro-forma) of 0.15 pence per share. Basic earnings per share (profit attributable to equity holders divided by the weighted average number of shares in issue during the year) was 2.44 pence per share (2019: loss of 12.56 pence per share) an increase of 15.0 pence per share.

Dividends

On Admission to AIM in December 2019, the Group's stated intention was to make dividend payments of c.30% of profit after tax. As previously disclosed, given the impact of the pandemic, the focus on cash preservation and use of government job retention support schemes, the Board considers that a dividend payment in respect of 2020 would be inappropriate. This position will be reviewed during 2021 and an update provided in the Group's half year results, scheduled for announcement in September 2021.

Cash flow

The Group had a cash balance of £7.1m at 31 December 2020 (2019: £8.9m), of which £2.8m in 2019 related to proceeds received from the IPO left behind by the selling shareholders.

Cash flow for the year is set out below.

	2020	2019	Variance
Adjusted EBITDA	**£9.8m**	£15.2m	**£(5.4)m**
Movement in working capital excluding IPO related accruals	**£1.7m**	£(2.8)m	**£4.5m**
Capital expenditure excluding acquisition of intangible assets	**£(3.1)m**	£(2.1)m	**£(1.0)m**
Leases	**£(1.2)m**	£(1.2)m	**–**
Underlying operating cash flow	**£7.2m**	£9.1m	**£(1.9)m**
Movement in working capital IPO related accruals	**£(3.5)m**	£3.9m	**£(7.4)m**
Acquisition of intangible assets	**£(2.6)m**	–	**£(2.6)m**
Adjusted operating cash flow	**£1.1m**	£13.0m	**£(11.9)m**
Tax paid	**£(1.3)m**	£(2.5)m	**£1.2m**
Net finance cash flows	**£(0.7)m**	£9.0m	**£(9.7)m**
Acquisitions and financing	**–**	£(1.3)m	**£1.3m**
Exceptional items	**£(0.5)m**	£(17.3)m	**£16.8m**
Exchange loss	**£(0.4)m**	£(0.2)m	**£(0.2)m**
Net cash flow	**£(1.8)m**	£0.7m	**£(2.5)m**

Chief Financial Officer's review

Underlying operating cash flow

Underlying operating cash flow before tax payments, net finance costs, transaction related accruals, payments in respect of acquisitions and exceptional items was £7.2m (2019: £9.1m), representing Adjusted EBITDA to underlying operating cash flow conversion of 73.5% (2019: 59.9%). This is an important metric for the Group that is monitored consistently to ensure it remains strong, whilst retaining an appropriate level of investment in capital expenditure to support future growth. The improvement in the year is due to a reduction in net working capital in Brand Addition, as a result of reduced volumes and continued strong working capital management. Exceptional cash outflows relate to the restructuring and transaction related costs referred to above. In 2019, Group investing and exceptional cash outflows related principally to the settlement of third party debt and financing facilities outstanding at the time of IPO.

Balance Sheet and shareholders' funds

Net assets increased in the year by £3.4m, the balance sheet is summarised below:

	2020	2019	Variance
Non-current assets	**£63.6m**	£56.4m	**£7.2m**
Working capital	**£6.4m**	£5.9m	**£0.5m**
Cash	**£7.1m**	£8.9m	**£(1.8)m**
Lease liabilities	**£(9.0)m**	£(6.3)m	**£(2.7)m**
Other net liabilities	**£(1.8)m**	£(2.0)m	**£0.2m**
Net assets	**£66.3m**	£62.9m	**£3.4m**

Non-current assets

Non-current assets are the most significant balance sheet category of which £35.8m (2019: £35.9m) is goodwill arising on previous acquisitions. Non current assets also include £9.0m (2019: £9.8m) of customer relationship intangible assets, £9.2m (2019: £4.5m) of software development costs, including £3.8m in respect of the Facilisgroup software assets acquisition, and £9.1m (2019: £6.1m) of Property, Plant and Equipment. Software development costs arise from ongoing investment in Group proprietary software to ensure the technology services, supplied to its customers, remain market leading and differentiated from our competitors. The costs are capitalised in accordance with IAS 38 and amortised over the period which the Group expects to generate benefit from the development. As the Group pursues its strategic objectives to accelerate the growth of Facilisgroup, we expect this investment to continue to increase in the short term.

Working capital

Working capital is ahead of 2019, however current liabilities in 2019 included £3.9m of fees and debt like items arising on IPO due for settlement in 2020. The 2020 number includes £1.3m of deferred consideration in respect of the CoreXpand acquisition. Adjusting for both these items, working capital was down on 2019 as a result of reduced activity in Brand Addition.

Cash

Cash balances at 31 December 2020 were £7.1m (2019: £8.9m). This is after payment of £2.6m in December for the acquisition of software assets for Facilisgroup and, in the first quarter of the year, the settlement of £2.4m of debt like items and IPO fees, for which the cash was left behind at IPO and included in cash balances at the 2019 year end.

Lease liabilities

Lease costs of £9.0m (2019: £6.3m) relate to Group properties capitalised in accordance with IFRS 16. The increase on FY19 relates to new property leases entered into in the year, principally new US office space for Facilisgroup to accommodate the expanding team and new European warehousing facilities for Brand Addition.

Other net liabilities

Other net liabilities of £1.8m (2019: £2.0m) are tax liabilities of which £2.6m (2019: £1.8m) is deferred tax in respect of the intangible assets of Facilisgroup. £1.7m (2019: £1.8m) relates to acquired customer relationships, the balance and increase in the year arose on the acquisition of software assets. These liabilities will reverse over the period that the assets are amortised.

Use of non-GAAP measures in the Group financial statements

The Group has used certain measures that it believes assist a reader of the Report and Accounts in understanding the business. The measures are not defined under IFRS and, therefore, may not be directly comparable with adjusted measures presented by other companies. The non-GAAP measures are not intended to be a substitute for or superior to any IFRS measures of performance. However, they are considered by management to be important measures used in the business for assessing performance.

The following are key non-GAAP measures identified by the Group and used in the Strategic Review and Financial Statements:

Adjusted EBITDA

Adjusted EBITDA means operating profit before depreciation, amortisation, share-based payments charge and exceptional items.

Adjusted operating profit

Adjusted operating profit means operating profit before amortisation of acquired intangible assets, share-based payments charge and exceptional items.

Adjusted profit before tax

Adjusted profit before tax means profit before tax before amortisation of acquired intangible assets, share-based payments charge and exceptional items.

Adjusted Earnings

Adjusted Earnings means profit after tax before amortisation of acquired intangible assets, share-based payments charge and exceptional items.

Adjusted earnings per share

Adjusted EPS represents Adjusted Earnings divided by a weighted average number of shares in issue.

Underlying operating cash flow

Underlying operating cash flow is calculated as Adjusted EBITDA less movements in working capital, capital expenditure and lease payments excluding movements in transaction related accruals and payments in respect of acquisitions.

Adjusted operating cash flow

Adjusted operating cash flow is calculated as Adjusted EBITDA less movements in working capital, capital expenditure and lease payments.

Claire Thomson

Claire Thomson
Chief Financial Officer
23 March 2021

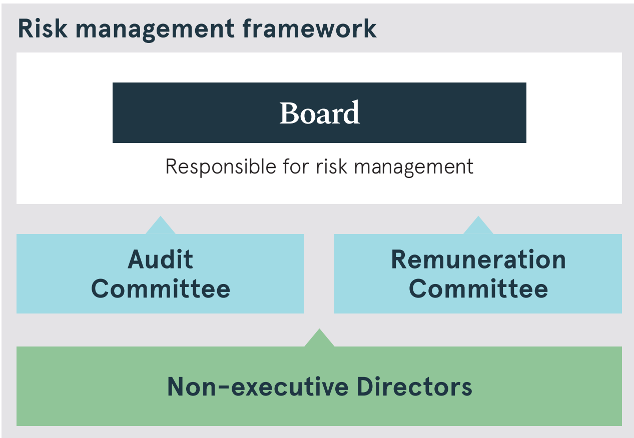
Managing our key risks and uncertainties.

The Board has overall responsibility for ensuring that risk is effectively managed across the Group and, on behalf of the Board, the Audit Committee facilitates the review of the risk management process.

The Group formally reviews and updates its assessment of principal risks and uncertainties and the mitigating actions in place in respect of these risks twice a year. However, risk monitoring and identification is an ongoing iterative process that forms part of the monthly business operating reviews, as further detailed below. This ongoing process facilitates the early identification and escalation of risks should this be necessary.

The Group has strong governance and communication structures in place which ensure risks are actively managed and mitigated. The Operating Boards of Brand Addition and Facilisgroup meet monthly. The standing agendas for both Boards include reports from the heads of all key functions, which address potential risks including those identified below. During 2020 the Operating Board meetings were attended by both the Chief Executive Officer and the Chief Financial Officer. In 2021, clear divisional leads have been established in Brand Addition and Facilisgroup and a Group Executive Team has been established, comprising the divisional leads and Executive Directors. Terms of reference for these meetings have been established and risk management is included as a standing agenda item.

The items referred to opposite are regarded as the key risks for the Group. These are not the only risks that could affect Group performance but in the opinion of the Board, are those which are currently the most significant and specific to the Group's business.



Market risks

Risk and potential impacts	Mitigating activities

Pandemic related disruption

COVID-19 caused major disruption to the Brand Addition Corporate Programme sales during 2020, particularly through Q2 and Q3, with a low point in sales activity in April. There was a positive momentum shift in activity in Q4, which has continued into Q1 2021.

The Group's continued recovery could be impacted by external factors such as the timeliness and effectiveness of a successful global vaccine rollout, mutations of the virus that are not responsive to the vaccine, Government response around lifting restrictions, particularly in relation to large events, customer confidence and wider financial and economic considerations. In the longer term, the Group must also be prepared for the potential impact of any new pandemic outbreaks. These factors pose a risk to demand for the Group's products and services, which could impact its ability to meet revenue and Adjusted EBITDA targets.

The Group took swift action during 2020 in response to the pandemic, managing its flexible cost base to remain profitable and cash generative.

The strength and robustness of the Facilisgroup subscription based technology platform was proven during the year and the Consumer Promotions division of Brand Addition was resilient with continued positive indicators for 2021. These factors, when combined with the implementation of two significant new client wins implemented in Q4 2020 for the Corporate Programs division of Brand Addition, are positive indicators for the Group when combined with a proven record of winning and implementing new business and a strong client base that is diverse both geographically and from a sector perspective.

The Group has a strong balance sheet, effective working capital disciplines, is cash generative and has access to a £10m revolving credit facility.

Having successfully navigated through this difficult period, the Board is confident in the Group's ability to deal with any continued disruptions from COVID-19 and in the long-term prospects for the business.

Change to risk in the year
Reduced

Macroeconomic environment

The pandemic has slowed growth in the economy and increased the risk of a general economic downturn, either globally or locally in an area in which the Group operates. This could have an impact on the demand for the Group's products and services which could impact the Group's ability to meet its revenue and EBITDA targets.

The Group has proved its ability to maintain profitability and cash generation from reduced demand caused by the COVID-19 pandemic. In the event of an economic downturn, the subscription-based technology platform in Facilisgroup insulates this business to be resilient from any initial shock, and revenues in the year of impact would be largely unaffected. The diversification of Brand Addition revenues across geographies and sectors provides some protection against the impact of a reduction in demand and the flexibility of the operating model below gross margin gives the business the ability to protect profits. Both businesses are highly cash generative with the large corporate nature of the client base in Brand Addition resulting in a high-quality balance sheet.

Change to risk in the year
Greater

Strategic

Risk and potential impacts	Mitigating activities

Concentrated client base

Brand Addition has a relatively small number of key clients and in 2020 generated 73% of Group revenue from the top 20 clients. A loss or significant reduction in activity from one of our major clients could materially affect the Group's ability to meet its revenue and Adjusted EBITDA targets.

The acquisition of Facilisgroup in December 2018, which has a diversified customer base and in 2020 represented 61% of Group Adjusted EBITDA, means that the impact of the loss of a key Brand Addition client on Group EBITDA is much reduced. In addition, delivering on the strategic objective of the Brand Addition business to grow through new client acquisition means the Group EBITDA impact of any one client is further diluted.

Change to risk in the year
No change

Risk management

Strategic

Risk and potential impacts	Mitigating activities

Acquisition risk

The Group has a track record of achieving growth through acquisition. Any future acquisition could give rise to unforeseen risks for the Group, such as loss of key customers or key personnel, complex and extended integration processes absorbing significant amounts of senior management time or unforeseen liabilities. A poorly implemented acquisition could have a damaging impact on the Group's financial position and reputation.

The Group takes great care in identifying potential acquisition targets and they are typically businesses with whom senior management have an existing relationship. All proposed acquisition targets are subject to robust due diligence using internal teams with extensive industry experience supported by external advisors where the Group does not have the specialist in-house skills.

Change to risk in the year
No change

Financial

Risk and potential impacts	Mitigating activities

Currency and foreign exchange

A proportion of the Group's revenue is denominated in foreign currency, principally US dollars and the Euro, while the Group's reporting currency is pound sterling. The Group is, therefore, exposed to the risk that adverse exchange rate movements could cause its costs to increase (relative to its reporting currency) and could result in reduced profitability.

Where it is considered appropriate, the Group uses hedges to reduce exposure to currency risk, however these may not always be effective and there may be some residual currency risk.

Change to risk in the year
No change

Operational

Risk and potential impacts	Mitigating activities

Retaining and attracting key personnel

Attracting and retaining experienced and appropriately skilled personnel is critical to the future success of the Group. Not having the right people and skills within the business could impact on the Group's ability to service our customers and grow the business.

We value our people highly, invest across our Group in their development and support them in achieving their potential. We offer competitive compensation packages that are reviewed regularly and regularly survey our employees to monitor employee engagement levels and identify opportunities for further improvement. Attrition rates across sites and geographies are monitored monthly to enable mitigating actions to be taken quickly if necessary.

Change to risk in the year
No change

Reliance on IT systems

The Group's activities are reliant on the effective operation of its IT platforms and infrastructure. In the event of an incident, the Group would initiate its business continuity and disaster recovery procedures. However, prolonged disruption could impact the Group's ability to hit revenue and EBITDA targets.

The Group has an experienced and dedicated IT team with support from external consultants where necessary. Disaster recovery and business continuity procedures are monitored and updated regularly by both the IT and operations teams.

Change to risk in the year
No change

Operational

Risk and potential impacts | Mitigating activities

Breach of IT security

A breach of IT security could result in a loss of business for the Group, give rise to a potential liability through litigation and damage the Group's reputation with customers giving rise to a loss of goodwill.

The Group implements a robust testing process on systems and software that includes external penetration testing by software consultants. Disaster recovery plans have been developed to respond to such incidents to ensure the business is able to recover with limited interruption should an incident arise.

Change to risk in the year
No change

Climate change

Climate change presents a range of risks to the business. Risks of extreme weather events such as floods, droughts and storms could potentially affect the Group's infrastructure and operations and also that of its supply chain. The transition to a low-carbon economy could also impact the Group's supply chain and it may be exposed to increased operational and distribution costs related to mitigation efforts, increased regulatory compliance and carbon taxes. It may also face increased product costs from suppliers due to higher input costs and regulatory compliance. Customer preferences and concerns may increasingly require a wider range of low-carbon, sustainable products, services and delivery options that may be difficult to identify, source and arrange. This could negatively impact customer demand, retention and the Group's revenues. In addition, the increasing demand of all stakeholders to undertake meaningful activity to address climate change is likely to result in increased exposure to the risk of reputational damage, and customer and employee retention issues, if the Group is not perceived to be engaging effectively with this challenge.

The Group is committed to addressing meaningfully the challenges we all face in tackling climate change and our commitment to this is set out in the sustainability section of this report on pages 20 to 28. The customers supported by Brand Addition in particular have been demanding sustainable products for a number of years. The business has embraced and welcomed this change and is already using its own creative team and its established and emerging supply chains to source and bring to market products that meet the high standards expected by our customers as they address this challenge within their own commitments to ESG. This is seen as a key area of differentiation for the business and actively developing our offering and services to address this challenge is a key priority. The risk of supply chain disruption is mitigated through the Group's diverse supply chain that it can quickly adapt. The Group also maintains alternative supplier relationships for each key product category. In addition, through the Brand Addition direct supply chain, where the supplier evaluation process identifies a heightened risk of disruption due to natural disasters and/or political or social unrest, then an alternative supplier would be identified where the level of risk was considered more acceptable. Addressing the challenge of moving to lower carbon emissions, the Brand Addition logistics team are working with key logistics partners to identify green shipping opportunities to provide our clients with these alternatives when selecting shipping options for their deliveries.

Change to risk in the year
No change

The Strategic Report, which includes the Chairman's statement, the Chief Executive Officer's review, the business model and strategy, the Group financial review and the principal risks and uncertainties, was approved by the Board and signed on its behalf by:

Christopher Lee
Chief Executive Officer
23 March 2021

Chairman's introduction to governance

Committed to effective corporate governance.

The Board is committed to effective corporate governance, not just as a set of guidelines, but as a real basis for providing internal controls that will deliver long-term value and meet stakeholder expectations around leadership and oversight. As Chairman of the Board, I am responsible for corporate governance within the Group and we have recently recruited a Group General Counsel and Company Secretary to support our commitment to maintaining and further developing and enhancing our sound corporate governance grounding.

This will involve ensuring continued effective operation of the Board and making sure the Board continues to develop its corporate governance in response to changes in official standards and stakeholder expectations. Our Board members have extensive experience and remain professionally active, however our approach to corporate governance will involve ensuring that the Board is given the opportunity to keep in touch with relevant developments through appropriate seminars and formal training courses which will be recommended to the Board to ensure the continued development of Board members' skills and capabilities.

Our corporate governance strategy is centred around ensuring that our operations are conducted with integrity, fairness and transparency and that our operations are conducted against a backdrop of sustainability and a strong moral compass. As a Board we aim to lead this ethical culture and perpetuate an open and honest environment, because we believe this establishes and evolves effective risk management and effective decision making at all levels of our organisation. The Board sees this as a key differentiator and has observed how this serves to build trust with our clients and suppliers and allows us to retain high-performing staff.

In adhering to these principles, since our IPO in December 2019, the Company has applied the Corporate Governance Code for Small and Mid-Size Quoted Companies 2018 published by the Quoted Companies Alliance (the "QCA Code") and I believe that we are in full compliance at the date of this report, which serves to mitigate and minimise risk and add value to our business.

This section of the Annual Report outlines how we have applied the principles of the QCA code during the year and we take the opportunity to share with you the improvements made to our corporate governance arrangements. We will continue to review and update our governance framework and our approach as the Company continues to grow and we will update the Corporate Governance statement in the AIM rule 26 section of the Company's website. Additional information is contained in our Section 172 Statement on pages 17 to 19.

Richard Law
Chairman
23 March 2021

Board structure and composition

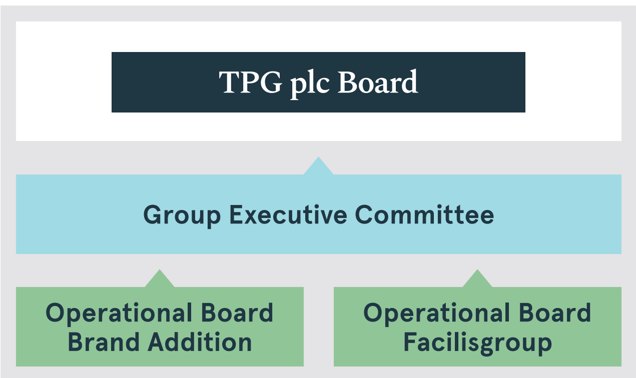
My role as Chairman of the Board is separate to, and independent of, that of the Chief Executive and each of us has clearly defined responsibilities. These, along with the terms of reference for all the Committees of the Board, can be found on the Investor Relations section of The Pebble Group plc website.

The Board comprises five Directors, two Executive Directors and three independent Non-executive Directors, the combination of which the Board believes ensures that there is a clear balance of responsibilities between the executive and the non-executive functions, and that no individual (or small group of individuals) can dominate the Board's decision making. The Board also believes that it has a desirable range of different skills, experiences and backgrounds, further details of which can be found in the Board biographies on pages 52 - 53. This proved invaluable during an unprecedented and challenging year as the Board acted quickly to manage the Group's cost base and liquidity and responsibly protected our business' stakeholders through this period of major disruption.

Chairman's introduction to governance

The Group is organised so that each of Brand Addition and Facilisgroup have an established Operating Board which meet monthly and report directly into the Executive Directors of the Company and the main Board. The Operating Boards meet just prior to the main Company Board enabling the Executive Directors to provide the most up to date information possible to the members of the main Company Board. In 2021 clear divisional leads have been established in both Brand Addition and Facilisgroup and a Group Executive Committee has been created with the divisional leads as well as the Group Executive Directors as members, to improve and facilitate the flow of information throughout the Group and ensure consistent good governance across divisions.

Through this governance structure, the main Company Board perpetuates an open, honest environment and its view of the right ethical culture, to drive effective risk management and effective decision making at all levels of the Group.



Board committees

The Audit Committee

The Audit Committee chaired by Yvonne Monaghan has primary responsibility for monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control environment in operation throughout the Group and recommend external auditors for reappointment. The Audit Committee reports to the Board on all these matters and will meet at least twice in each financial year. The Audit Committee met four times during 2020. Richard Law and Stuart Warriner are the other members of the Audit Committee. Further information can be found in the Audit Committee Report on pages 55 - 57.

The Remuneration Committee

The Remuneration Committee chaired by Stuart Warriner has responsibility to review the performance of the Executive Directors, Chairman of the Board and other senior management of the Group and make recommendations to the Board on matters relating to their remuneration and terms and conditions of service. This includes making recommendations on proposals for the granting of share options and other long-term equity incentives.

The Remuneration Committee will meet as and when necessary, but at least twice each financial year. The Remuneration Committee met three times in 2020. In exercising this role, the members of the Remuneration Committee will have regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance. The remuneration of Non-executive Directors will be a matter for the Chairman and the executive members of the Board and no director shall be involved in any decisions as to his or her own remuneration. Richard Law and Yvonne Monaghan are the other members of the Remuneration Committee. Further information can be found in the Remuneration Committee Report on pages 58 - 64.

The Nomination Committee

The Nomination Committee chaired by Richard Law has responsibility to identify and nominate for the approval of the Board candidates to fill Board vacancies as and when they arise. In respect of new appointments, the Committee will undertake an evaluation of the balance of skills, experience, independence and knowledge on the existing Board and, in the light of this evaluation prepare a detailed description of the role, candidate profile and capabilities required for the particular appointment. There were no Board vacancies in 2020.

The Committee also reviews the structure, size, diversity and composition of the Board and makes recommendations concerning the annual reappointment of Directors and identification and nomination of new Directors. The Committee will retain, as necessary, external selection consultants in support of this responsibility.

The Nomination Committee met once in 2020 and moving forward the Committee will meet as and when necessary, but at least twice each financial year. It has held one meeting in 2021 to date and has a further meeting scheduled before the year end. Yvonne Monaghan and Stuart Warriner are the other members of the Nomination Committee.

An evaluation of the effectiveness of the Nomination Committee has been conducted during Q1 2021 as part of an overall performance review of the Board and its Committees as detailed in Principle 7 of the Corporate Governance Statement on page 49 where many positives were identified together with areas for development. The Nomination Committee subsequently reviewed its own effectiveness and its constitution and terms of reference and concluded that its performance was aligned with the criteria set out in the terms of reference, which continue to be appropriate to ensure the effective operation of the Committee.

The Nomination Committee does not produce a separate report, but significant matters considered since the last annual report include during Q1 2021 the Nomination Committee conducted a Director performance evaluation, which considered the independence of each Director and concluded that each Director continued to make an effective and valuable contribution to the Board, and that each Director demonstrated a strong commitment to their role and to the long-term success of the Company. Notwithstanding the requirements of the Company's Articles of Association that a third of the Board are required to stand for re-election each year, the Committee also considered the best practice approach to Director retirements and re-appointments at the upcoming 2021 AGM. Having regard to best practice recommendations and to the Directors' knowledge, skills and experience, and ability to continue to contribute to the Board, the Committee recommended to the Board that all Directors should seek re-election by the Company's shareholders at the AGM 2021.

Key governance policies

During 2020, the Group engaged the services of EQS Group, a provider of a whistleblowing hotline platform to successfully implement and roll out an externally managed global whistleblowing platform and telephone hotline. These changes were implemented and communicated across the entire Group and an updated Group whistleblowing policy issued.

There are key governance policies and processes in place across the Group to cover the following governance matters:

- Anti-Slavery and Human Trafficking Policy
- Anti-Bribery and Corruption Policy
- Business Ethics Policy
- Conduct Policy
- Data Protection Policy
- Whistleblowing Policy

Further information on the Anti-Slavery and Human Trafficking Policy, Anti-Bribery and Corruption Policy and Whistleblowing Policy can be found in the Audit Committee Report on pages 55 - 57.

Corporate governance statement

Delivering long-term growth.

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Board has a clear strategy for delivering long-term shareholder value.

The Company's business model and strategy are set out on pages 5 and 16 of this report.

The Group's vision is to become the partner of choice for both global brands that use promotional products as a key stakeholder engagement tool and SME distributors that require an technology platform in order to professionalise and grow their promotional products business in North America.

The Group's strategy is to return to profitable growth via continuing to improve and evolve our services, focusing on:

- Retention of our valued long-term relationships with our current clients and Partners
- Extension of our technology and other services to increase the spend of existing clients and Partners
- Attract further quality businesses to our Group through providing additional market leading technology and services

The Board held its annual strategy meeting in October 2020 to discuss its ongoing vision for the Group, its direction and strategic priorities. The outcomes from which are communicated on the strategy pages referenced above, in the Chairman's statement, Chief Executive's statement and throughout the Strategic Report in this document.

Principle 2: Seek to understand and meet shareholder needs and expectations

The Group is committed to engaging with its shareholders to ensure their needs and expectations are understood and its strategy and business model are clearly articulated.

The Executive Directors of the Company have primary responsibility for contact with shareholders and maintain an active and frequent dialogue with them. The Board is updated at every Board meeting about shareholder meetings that have taken place and the focus of the meetings. The Non-Executive Directors are also provided with any reports and feedback issued by analysts to support their understanding of the view of the Group by the investment community. Should you wish to request a meeting or submit a question, please contact Investors@ThePebbleGroup.com.

The Directors have met with shareholders during the year as part of a planned programme of investor relations and when requested made themselves available for meetings.

The Annual General Meeting "AGM" is also an opportunity for the Company's Directors to meet with its shareholders and for them to ask questions.

In recognition that COVID-19 considerations make a physical meeting with shareholders in attendance unpredictable and susceptible to changes, possibly even last minute, arrangements have been made to preserve shareholder engagement by enabling shareholders to view the meeting via a live webcast and to some extent participate in the form of Q&A functionality giving the opportunity to raise questions to the Directors as they see appropriate.

At the 2020 AGM, all resolutions proposed by the Board were passed by shareholders and details of the proxy voting are given on the Company's website. Details of the business that will be undertaken at the 2021 Annual General Meeting is set out in a separate Notice of Annual General Meeting issued with this Report and Accounts.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises that the Company's long-term success relies on its ongoing positive relationships with all stakeholders and understands that its responsibilities are not only to its shareholders and employees, but to its wider stakeholders including customers and suppliers and the communities in which it operates.

The Board and all senior managers have regard to the Company's stakeholders and social responsibilities in its decision making. This comes naturally to The Pebble Group where our emphasis as a business is that decisions are taken with regard to acting equitably and for the long term. We always aim to maintain and build our reputation for high standards of business conduct. In 2021 the Board has evolved its reporting process with the introduction of an enhanced reporting template containing guidance notes to facilitate the explanation of all relevant Section 172 factors and ensure that they are made central to all information and recommendations presented to the Board.

The Company works consistently to strengthen the relationships it has with all stakeholders and is committed to the highest standards of corporate social responsibility in its activities. The work done in respect of this is outlined in the Section 172 Statement on pages 17 - 19 and Environmental, Social and Governance on pages 20 - 28. In January 2021 the Company appointed a Senior Environmental Social and Governance "ESG" Officer reporting directly to the Chief Executive Officer who will have responsibility for supporting the Board in maintaining the highest of standards and deliver on its ESG commitments.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board uses a considered approach to risk management and acknowledges the need to accept a certain level of strategic risk to achieve its objectives of capital growth for shareholders. The risk management framework and key risks facing the business are set out on pages 38 - 41 of this report, along with the monitoring processes and mitigating actions in place to manage these risks. The Audit Committee has responsibility for reviewing the effectiveness of the Group's internal controls as set out on pages 55 -57 of this report, reports directly to the Board on these matters.

The Board has ultimate responsibility for the Group's system of internal control and, as set out in the Audit Committee Report, is supported by the Audit Committee in managing this risk. Acknowledging that there are inherent limitations in any control system and that any such system can only provide reasonable and not absolute assurance, the Board considers the controls in place are reasonable for a Group of this size and complexity, the principal elements of the Group's internal control system include:

- Hands-on close management of the day-to-day business of the Group by the Executive Directors
- Attendance by the Chief Executive Officer and Chief Finance Officer at the monthly Operating Boards of Brand Addition and Facilisgroup where financial performance, operational developments and full year expectations are discussed in detail
- Preparation and approval by the Board of detailed budgets
- Monthly reporting, monitoring and review of actual performance against budget
- Monthly reporting of updates to sales, Adjusted EBITDA and cash forecasts to reflect actual performance and any revisions to expectation as the year progresses
- An established independent Group Finance team consisting of qualified accountants with responsibility for the audit of areas of risk and within the Group's businesses
- A risk register maintained by the Group Finance team reviewed twice annually by the Group Audit Committee

Corporate governance statement

Principle 5: Maintain the Board as a well-functioning, balanced team led by the chair

The Directors acknowledge the importance of high standards of corporate governance and believe the QCA Code provides the best fit for the Group by setting out a standard best practice for small and mid-sized quoted companies, particularly those on AIM.

The composition of the Board is set out on page 44 and includes a balance of Executive and Non-executive Directors, with three Non-executive Directors and two Executive Directors. The Board is managed by the Chairman who has the overall responsibility for strategy, risk and corporate governance.

The Board's activities are supported by Nomination, Audit and Remuneration Committees. Details of these committees are set out on the corporate governance pages 44 - 45 of this report and their terms of reference are on the Company's website.

Whilst Executive Directors dedicate a full-time commitment to the Company, the Non-executive Directors have demonstrated a strong time commitment to the Company throughout the year and have allocated sufficient time to effectively discharge their responsibilities, including in the preparation for, attendance at, and dealing with actions arising from all Board and committee meetings. Information on meeting attendance in 2020 can be found in the Board of Directors section on pages 52 and 53.

The Board and its committees receive high quality accurate and timely information on a regular basis and the Board meets at least 10 times per year. The Board met 11 times during 2020 and each meeting had full attendance by all Directors.

All Directors were elected in advance of the IPO at the 2019 AGM following their appointment to the Board and at the 2020 AGM the Chairman was subject to re-election. Although the Directors are required to seek re-appointment at least once every three years in accordance with the Company's Articles of Association, the Board has decided that all Directors shall be subject to re-election by shareholders at the 2021 AGM as set out in the Directors' report and in the Notice of the Annual General Meeting and it is our intention to subject all Directors to re-election annually.

The Company is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders and will consider the requirement for additional Non-executive Directors as the Company fulfils its growth objectives.

The Board believes that the three Non-executive directors are independent, with Yvonne Monaghan fulfilling the role of Senior Independent Director. The results of the Board's assessment of its effectiveness is detailed in principle 7 below.

Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

All the Directors have appropriate skills and experience for the roles they perform at the Company, including as members of Board Committees. The Board is represented by an appropriately diverse mix of individuals, given its size. Experiences are varied and contribute to maintaining a balanced Board that has the appropriate level and range of skill to deliver the Company's strategic objectives. Details of the skills and experience of the Directors are provided on pages 52 and 53 of this Report and also on the Company's website.

It is not dominated by any one individual and all Directors have the ability to challenge proposals put forward to the meetings where decisions are reached democratically.

All Board members remain professionally active and are given the opportunity to keep in touch with relevant developments through appropriate seminars to ensure the continued development of each Board member's skills and capabilities.

The Board and committees have access to professional advisors at the Company's expense, if necessary. Where applicable, the use of the services of professional advisors has been set out in the reports of each of the Board's committees.

In January 2021, the Company appointed Lucy Penfold to the role of Group General Counsel and Company Secretary to act as adviser to the Chairman and the Board, with responsibility for ensuring effective Board processes and procedures are followed and that applicable rules and regulations are complied with. In addition, the Directors also receive regular briefings and updates from the Company's nominated adviser in respect of continued compliance with, inter alia, the AIM Rules.

The Company's statement on its Audit, Remuneration and Nomination Committees can be found on pages 44 - 45 of this report and on the website.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

In February 2021, the Board performed an internal formal evaluation of its performance in its first year of existence. The review comprised:

- The completion of a comprehensive questionnaire by all Board members covering the effectiveness of the Board performance as a unit, as well as that of its committees and the individual Directors. This covered assessment against both 'Composition and Process' criteria, and 'Behaviours and Activities' criteria
- A Board discussion facilitated by the Company Secretary of the outputs of the questionnaire

The process highlighted many positives and particular strengths in the form of high-quality debate, open discussions and effective teamwork evident on the Board and committees. It also identified some areas for development and recommendations to be progressed in 2021, including:

- In the context of the Company's likely expansion over the next five years, adopting a longer-term outlook to the consideration of, and detailed planning around, future Board size and composition; and mix of skills, experience, knowledge and diversity of the Board
- A requirement for formal and comprehensive succession planning at both Board and Senior Executive levels
- Increased focus at Board level on crisis management and disaster recovery, particularly in the areas of cyber and data security risks
- Adopting a pro-active approach to periodic monitoring of market practice around Executive Remuneration and Performance, with input from external advisors as appropriate, to ensure that the Company remains aligned each year

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Company has a responsibility towards its employees and other stakeholders. The Board promotes an ethical corporate culture by having documented policies as follows:

- Anti Slavery and Human Trafficking Policy
- Anti-Bribery and Corruption Policy
- Business Ethics Policy
- Conduct Policy
- Corporate Hospitality and Gifts Policy
- Whistleblowing Policy

which are followed in each territory in which it operates, with any areas of non-compliance reported to the Board. These assist in embedding a culture of ethical behaviour for all employees and the Company's commitment to upholding human rights of all individuals is clearly documented in its Modern Slavery Act 2015 Statement.

The Company's policies set out its zero-tolerance approach towards any form of discrimination, inappropriate or unethical behaviour relating to bribery, corruption or business conduct in all territories in which it operates.

At Board level, there are terms of reference for each of its committees, requiring regular disclosure of Directors' other interests, and following a share dealing code, all of which require high standards of behaviour.

Corporate governance statement

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board has a formal schedule of meetings and matters reserved for its attention, including approval of strategic plans and acquisitions, ensuring maintenance of sound risk management and internal controls, delegation of authority and other corporate governance matters. It is scheduled to meet at least 10 times per year and these meetings can be supplemented by additional meetings as and when necessary. During 2020 the Board met 11 times and each meeting had full attendance by all Directors.

The Board and its committees have a formal agenda in place for each meeting, they receive appropriate and timely information and appropriate time is allotted to ensure that Section 172 factors are discussed and taken account of during Board discussions and decision-making. Information is distributed several days in advance of the meeting and any actions arising from the meetings are followed up by the Company's management.

The role of each member of the Board is clearly defined. The Chairman is responsible for the operation of the Board. The Chief Executive Officer is responsible for proposing the strategic direction of the Board and implementing the strategy once approved. The Chief Financial Officer is responsible for all financial matters and engagement with shareholders. Board roles can be found on the corporate governance section of the Company's website.

The Board is supported by the Audit, Remuneration and Nomination Committees in discharging its responsibilities. Each of the committees has access to information and external advice, as necessary, to enable the committee to fulfil its duties.

The Audit Committee has primary responsibility for monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on.

The Remuneration Committee will review the performance of the Executive Directors, Chairman of the Board and senior management of the Group and make recommendations to the Board on matters relating to their remuneration and terms of service.

The Nomination Committee will lead the process for Board appointments and make recommendations to the Board.

The terms of reference of these committees can be found on the Corporate Governance section of the Company's website.

The Group is organised so that each of Brand Addition and Facilisgroup have an established Operating Board which meet monthly and report directly into the Executive Directors of the Group and the main Board. The Operating Boards meet just prior to the Board enabling the Executive Directors to provide the most up-to-date information possible to the members of the Board. In 2021 clear divisional leads have been established in both Brand Addition and Facilisgroup and a Group Executive Committee has been created with the divisional leads as well as the Group Executive Directors as members, to improve and facilitate the flow of information throughout the Group and ensure consistent good governance across divisions.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

These responses to the principles of the QCA Code and the information contained in this report provides details to all stakeholders on how the Company is governed.

The Company will communicate with its shareholders through:

- the Annual Report and Accounts
- Half-year report announcements
- Regulatory Information Service ('RIS') announcements
- the Annual General Meeting ('AGM')
- one-to-one meetings with large existing or potential new shareholders
- Webinar meetings open to private investors will be initiated during 2021

As outlined at principle 2, the Company maintains an active dialogue with its shareholders through a planned programme of investor relations.

A range of Company information is included on the website (www.thepebblegroup.com) and further information can be requested from investors@thepebblegroup.com.

Leading with experience.

BOARD COMPOSITION

- Executive (2)
- Non-executive (2)
- Chairman (1)

KEY TO COMMITTEE MEMBERSHIP

Ⓐ Audit Committee
Ⓡ Remuneration Committee
Ⓝ Nomination Committee
● Committee Chair

Richard Law
Chairman

Date of Appointment
November 2019

Experience
Richard is an alumni of Imperial College and has a broad experience of business, engineering, corporate finance, technology and governance spanning 40 years. Richard retired as Chief Executive Officer of AIM-quoted GB Group plc in 2017 having led the company from a market capitalisation of £5m to £500m and took up a portfolio role investing in and chairing both public and private companies. As well as chairing The Pebble Group plc, Richard is currently the chairman of product intelligence and performance accelerator Vypr. Richard was previously chairman of car financing platform Zuto.

Skills brought to the Board
- Extensive financial expertise
- Extensive and diverse leadership experience
- Sound practical understanding of corporate governance
- Deep appreciation of investor sentiment
- Strong understanding of e-commerce and data solutions

External appointments
- Non-executive Director and chairman at Vypr Validation Technologies Limited
- Non-executive Director at Gudtouch Limited

Committee membership
Ⓝ Ⓐ Ⓡ

Meetings attended in 2020

Board meetings	11/11
Audit Committee meetings	4/4
Remuneration Committee meetings	3/3
Nomination Committee meetings	1/1

Christopher (Chris) Lee
Chief Executive Officer

Tenure
21 years

Experience
Chris led the private equity backed management buyout of Brand Addition in 2012 and 2017 and the acquisitions of Gateway CDI and Facilisgroup in 2016 and 2018 and the listing of The Pebble Group plc onto AIM in 2019.

Skills brought to the Board
- Sound, proven leadership skills and a considered strategic approach, developing the Group's capabilities for sustainable growth
- Detailed understanding of the market and sector with significant knowledge of commercial, client and operational matters
- Successful transaction and M&A experience
- Client and supplier relationship management, contracting and negotiations
- A thorough understanding of stakeholder priorities including the development of the senior team and Environment, Social and Corporate Governance (ESG) issues

Committee membership
- Group Executive Committee

Meetings attended in 2020

Board meetings	11/11

Claire Thomson
Chief Financial Officer

Tenure
13 years

Experience
Claire has led the finance, banking, legal and compliance aspects of the businesses which now comprise the Group for over 12 years, taking the role of Chief Financial Officer following the management buyout in 2012. Claire is a qualified Chartered Accountant and prior to joining the Group, spent 11 years in audit at PricewaterhouseCoopers LLP, having joined in 1997. Claire has a BA Hons degree in English and American Literature from the University of Manchester.

Skills brought to the Board
- Extensive finance, financial reporting and financial management expertise
- Sound, proven leadership skills
- Wide in-depth knowledge of each business area
- Successful transaction and M&A experience
- Significant experience of effective risk management and internal controls
- Investor relations

External appointments
- Director at Cheadle Hulme School

Committee Membership
- Group Executive Committee

Meetings attended in 2020

Board meetings	11/11

Yvonne Monaghan
Independent Non-executive Director and Senior Independent Director

Date of appointment
November 2019

Experience
Yvonne has been the Chief Financial Officer of Johnson Service Group PLC since 2007 and played an important role in returning the company to a growth strategy, managing a number of acquisitions and disposals. She was a Non-executive Director of NWF Group plc from 2013 until she stepped down from this role in September 2020.

Yvonne is a qualified Chartered Accountant and spent five years in audit at Deloitte Haskins & Sells, before joining Johnson Service Group PLC in 1984. Yvonne has a BSc Honours degree in Pharmacology and Physiology from the University of Manchester.

Skills brought to the Board
- Extensive financial and financial reporting expertise
- Sound practical understanding of corporate governance
- Significant understanding of audit processes, risk management and controls
- Deep appreciation of investor sentiment

External appointments
- Chief Financial Officer of Johnson Service Group PLC
- Elected to the CBI North West Regional Council with effect from 1 January 2021

Committee membership
N A R

Meetings attended in 2020

Board meetings	11/11
Audit Committee meetings	4/4
Remuneration Committee meetings	3/3
Nomination Committee meetings	1/1

Stuart Warriner
Independent Non executive Director

Date of appointment
November 2019

Experience
Stuart has extensive corporate finance experience across a range of sectors, having spent over 30 years at PricewaterhouseCoopers where he was a partner in its corporate finance business. Stuart has an MA in Economics from the University of Cambridge and is a qualified Chartered Accountant.

Skills brought to the Board
- Expertise in mergers and acquisitions
- Track record in advising Boards including on strategy and shareholder value
- Sound practical understanding of corporate governance

External appointments
- Managing Director at GCA Altium since 2017
- Non-executive Director of strategy and communications agency Lodestone Oxford Limited

Committee membership
N A R

Meetings attended in 2020

Board meetings	11/11
Audit Committee meetings	4/4
Remuneration Committee meetings	3/3
Nomination Committee meetings	1/1

Senior Team

Company Secretary

Lucy Penfold
Group General Counsel and Company Secretary

Date of appointment
January 2021

Experience
Lucy recently joined the Company after 13 years as in-house legal counsel at AXA UK plc, specialising in corporate and commercial law and having also spent time as Assistant Company Secretary. Prior to that, Lucy spent two years practicing corporate law at Olswang LLP where she also trained and qualified as a solicitor in 2005. Lucy has a BA Hons degree in Accountancy & Law from the University of Manchester.

Skills
- M&A, corporate law and group re-organisation
- Commercial contract drafting and negotiation
- Corporate governance

Committee membership
- Group Executive Committee

Senior Executives

Karl Whiteside
Group MD, Brand Addition

Tenure
3 years

Experience
Karl has led the US division of Brand Addition since 2017. Prior to joining Brand Addition, Karl led supply chain and logistics teams throughout North America as well as inside sales, sourcing, and billing teams for Staples Promotional Products for 10 years. Before joining the creative merchandise industry, Karl spent time in National Account Sales roles with Newell Brands and Samsonite. Karl has a BS degree in marketing from Truman State University.

Skills
- Business strategy planning and execution
- Operational and efficiency management
- Extensive industry and sector knowledge
- Executive leadership and mentoring
- Management of global teams
- Risk management and supply chain strategy planning

Board and Committee membership
- Brand Addition Operating Board
- Group Executive Committee

Ashley McCune
President, Facilisgroup

Tenure
14 years

Experience
Ashley oversaw the finance, operations and marketing aspects of Facilisgroup as a senior leader for over 10 years. She was appointed President of Facilisgroup in 2020, following the acquisition by The Pebble Group in 2019 and departure of the legacy owners. Ashley has 17 years of experience in the promotional products industry with experience in both the distributor and technology arenas. She has a BS degree in Business from Southern Illinois University.

Skills
- Strong and extensive industry and sector knowledge
- Business and senior team leadership
- Strategy development
- Operational management
- Partner relationship management
- Negotiations
- Organisational development
- Experience of organic growth

Board and Committee membership
- Facilisgroup Operating Board
- Group Executive Committee

BOARD AND SENIOR TEAM DIVERSITY

Board and Senior Team Diversity

The Board understands the importance of a diverse Board and Senior Team. We believe that a diverse and inclusive culture at the top of our organisation will lead to better decision making and ultimately to a better business and place to work for our global workforce. Our approach to diversity, equity and inclusion is detailed on page 26 of this report along with information on our future initiatives aimed at ensuring senior level gender diversity remains balanced and enhancing our commitment to diversity more broadly into our business as a whole.

Audit Committee report

Monitoring the quality of internal controls.

Committee composition
- Yvonne Monaghan (Chair)
- Richard Law
- Stuart Warriner

Dear shareholder,

I am pleased to present the Audit Committee Report for the year ended 31 December 2020. The Audit Committee was formed at IPO in December 2019 and in its first year has overseen improvements in the Group's risk management processes.

Composition and experience of the Audit Committee

The Audit Committee consists of all three Non-executive Directors and is chaired by myself as an independent Non-executive Director. All three Non-executive Directors are qualified chartered accountants, all have considerable industry experience in senior financial and operational roles and all are therefore regarded as having recent and relevant experience.

The Audit Committee met on four occasions during the year. Additionally, the Committee has the opportunity to hold private meetings with the Group's external auditors without the presence of management as it considers necessary.

Responsibilities of the Audit Committee

The terms of reference of the Committee are available on the Company's website. In accordance with these, the Committee has primary responsibility, for:

- Reviewing the effectiveness of the Group's internal controls, including review of the scope and adequacy of the Company's processes and controls in respect of Whistleblowing and Anti-Bribery.
- Monitoring the integrity of the Group's financial statements and the external announcements of the Group's results.
- Advising on the clarity of disclosures and information contained in the Annual Report and Accounts and giving an opinion to the Board on whether the Annual Report and Accounts are fair, balanced and understandable.
- Ensuring consistency in application of and compliance with applicable accounting standards
- Overseeing the relationship with the external auditors including, recommending approval of their appointment and approving their remuneration, reviewing their reports and ensuring their independence is maintained.

The Audit Committee will report to the Board on all these matters.

Audit Committee report

Evaluation of the effectiveness of the Audit Committee

An evaluation of the effectiveness of the Committee has been conducted during Q1 2021 as part of an overall performance review of the Board and its Committees as detailed in Principle 7 of the Corporate Governance Statement on page 49. The Audit Committee subsequently reviewed its own effectiveness and also its constitution and terms of reference and concluded that they continue to be appropriate.

Significant matters considered in relation to the financial statements

At the request of the Board, the Audit Committee considered whether the 2020 Annual Report and Accounts were fair, balanced and understandable and whether they provided the necessary information for Shareholders to assess the Group's performance, business model and strategy. The Committee were satisfied that, taken as a whole, the 2020 Annual Report and Accounts are fair, balanced and understandable.

The Audit Committee assess whether suitable accounting policies have been adopted and whether appropriate estimates and judgements have been made by management. The Committee also reviews accounting papers prepared by management, and reviews reports by the external auditors. The specific areas reviewed by the Committee during the year were:

- Review of the impact and disclosure of Covid-19 on the Group
- Review of the capitalisation of development costs and acquisition of software assets
- Appropriateness of the carrying value of goodwill, intangibles and investments

External audit

The Audit Committee has responsibility for the recommendation for re-appointment and deciding the remuneration of the Group's external auditors and satisfying itself that they maintain their independence regardless of any non-audit work performed by them. The Group has been monitoring the impact of the FRC Revised Ethical Standard 2019 governing the performance of non-audit work by the auditors, with regard to the provision of such services and where required, changes to ensure compliance with the recommendations have been implemented. The total fees payable to the external auditors in respect of the year under review amount to £233,000 (2019: £359,000) of which £nil (2019: £206,000) related to non-audit services. Details are as set out below:

	Note	£'000	Year ended 31 December 2020 £'000	£'000	Year ended 31 December 2019 £'000
Audit related services	1		233		153
Non-audit related services					
- Other assurance services	2	–		12	
- Taxation advisory services	2	–		80	
- Acquisition & IPO related	2	–	–	114	206
Total auditors' remuneration			233		359

Notes:

1. Audit related services in 2020 include £50,000 of over-runs agreed by the Committee in respect of the 2019 audit. These related principally to additional work in support of the Going Concern assumption following the impact of Covid-19 and disclosure and accounting for the IPO and the acquisition of Facilis in December 2018.
2. Non-audit services in 2019 all related to the IPO and included audit of the initial accounts on completion of pre-IPO Group structuring, and the associated tax and accounting advisory steps arising on the structuring.

One of the principal duties of the Audit Committee is to make recommendations to the Board in relation to the appointment of the external auditors. PricewaterhouseCoopers LLP have been the Company's external auditors for many years and in line with best practice guidance as a listed plc are required to rotate the Senior Statutory Auditor (engagement partner) responsible for the Group and subsidiary audits every five years. In compliance with this requirement, a new Senior Statutory Auditor was appointed in October 2020.

The respective responsibilities of the Directors and external auditors in connection with the Group financial statements are explained in the Statement of Directors' Responsibilities on page 68 and the Auditors' Reports on pages 69 - 74.

Review of external auditor's effectiveness

The Committee reviewed the external auditors' performance and independence, by considering the qualifications, expertise and resources of PwC and its objectivity on an ongoing basis throughout the year. This was done by taking into account the following:

- The views of the Executive Directors
- Consideration of responses from PwC to questions from the Committee
- The audit findings reported to the Committee, including PwC's report on internal quality procedures
- The relationship with PwC as a whole, including the provision of any non-audit services, to confirm there are no relationships between the auditors and the Company other than in the ordinary course of business which could adversely affect independence and objectivity

Based on this information the Committee is satisfied that the external audit process has operated effectively, and PwC continued to bring independence and prove effective in its role as external auditors.

Internal control and risk management

The Audit Committee supports the Board in reviewing the Group's risk management methodology and the effectiveness of internal control. Regular internal control updates are provided to the Audit Committee, which include reviewing and updating the risk register and assessing the mitigating actions in place and updates to action plans agreed in previous meetings. No significant issues were identified.

Internal audit

The Group does not currently have a formal internal audit function but targeted reviews and visits to operations are performed by the Head Office Finance team which is independent of the business operations and which comprises wholly of qualified accountants. The team is responsible for reviewing and reporting on the effectiveness of internal controls and risk management systems. This approach is considered appropriate and proportionate for the size of the Group's operations and does not affect the work of the external auditors.

Modern Slavery Act

We are committed to implementing and enforcing systems and controls to ensure there is no modern slavery or human trafficking taking place within our businesses or supply chains. Adherence to these principles is addressed through staff induction, ongoing training and communications to address the importance of a zero-tolerance attitude. Suppliers are required to comply with our code of conduct on these matters with compliance enforced through robust vendor audits, supplier visits and ongoing training.

Whistleblowing

The Group culture is committed to honesty, openness, integrity and accountability and considers it fundamental that any concerns our employees have about the Company can be raised without fear of recrimination or victimisation. In support of this, the Group has in place a whistleblowing policy which encourages employees to report any areas of concern that they may have in respect of conduct within the organisation that could fall below these expected standards.

Any matters raised through the whistleblowing process are reported to the Committee. Where a matter is raised, a proportionate investigation is undertaken by independent management with support and guidance from the Committee as necessary. The Group is pleased to report that no incidents have been reported during the year.

Anti-Bribery and Corruption

The Group's commitment to act professionally, fairly and with integrity at all times is reflected in our zero-tolerance approach to all forms of bribery, corruption, fraud and theft. It has in place appropriate Board approved policies and procedures designed to ensure adherence to the principles of the Bribery Act 2010 and to take account of "Business Principles for Countering Bribery" published by Transparency International, these also cover corporate hospitality and gifts, and appropriate business ethics. Compliance with these policies is confirmed annually by the Group's management teams.

Yvonne Monaghan
Chair of the Audit Committee
23 March 2021

Remuneration report

Ensuring key personnel deliver the Company's objectives.

Committee composition
- Stuart Warriner (Chair)
- Richard Law
- Yvonne Monaghan

This report is for the year ended 31 December 2020. It sets out the remuneration policy and the detailed remuneration for the Executive and Non-executive Directors of the Company. As an AIM-quoted company, the information is disclosed to fulfil the requirements of AIM Rule 19. The Pebble Group plc is not required to comply with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The information is unaudited except where stated.

Dear shareholders,

I am pleased to introduce the Directors' Remuneration Report for the 2020 financial year. This letter introduces the report, outlines the major decisions on Directors' remuneration during the year and explains the context in which these decisions have been taken.

The Pebble Group plc is committed to high standards of corporate governance and our policy and disclosures on Directors' remuneration are intended to reflect this approach. We welcome shareholder feedback on these matters and this Directors' Remuneration report will be put to an advisory vote at the coming 2021 AGM.

Remuneration policy

The Company's approach to remuneration is that the overall package should be sufficiently attractive to recruit, motivate and retain individuals of a high calibre with significant technical and strategic expertise. The remuneration policy ensures that key personnel are incentivised and rewarded in a way that is aligned to delivery of the Company's long term growth objectives which in turn achieves a Group culture that will support our strategic goals. I believe the interests of key personnel are resultingly aligned with those of our shareholders.

The remuneration policy adopted by the Company has four main elements: basic salary, benefits, annual performance related bonuses and long-term share incentives. Policy in each area is detailed in this report.

Performance and decisions on remuneration taken during 2020

Company performance was impacted by the COVID-19 pandemic during the year, details of which have been provided throughout the Strategic Report.

Significant remuneration decisions were made in response to this. Firstly, the Executive Directors and the Non-executive Directors agreed to a 40% reduction in base salary and fees, respectively. This reduction was in place for the 6-month period from 1 April to 30 September 2020. Secondly, the Executive Directors deferred payment of their allocation of the IPO bonus which was disclosed in our 2019 annual report, to preserve cash within the Group until the impact of the pandemic on Group operations was better understood. The IPO bonus was subsequently paid in July 2020 when the impact of COVID-19 on Group liquidity could be better understood. Thirdly, the implementation of (i) the annual bonus scheme for Executive Directors; (ii) the Long Term Incentive Plan for the Group; and (iii) the Sharesave Plan (SAYE) for the Group were all also deferred. It was then subsequently agreed by the Board that there would be no bonus scheme for the Executive Directors for 2020, however the Long Term Incentive Plan was implemented on 21 December 2020, once the impact of the pandemic on Group performance had been established, guidance was re-introduced to the market and the Committee was satisfied sufficiently challenging performance criteria could be introduced. The Sharesave Plan (SAYE) is expected to be implemented in 2021.

Information on how remuneration will be operated in 2021 is set out at the end of this report.

I hope that you find the report helpful and informative and I look forward to receiving feedback from you on the information presented.

Stuart Warriner
Remuneration Committee Chairman
23 March 2021

Remuneration report

Composition of Committee

The Committee comprises all three Non-Executive Directors, Stuart Warriner (Chairman), Yvonne Monaghan and Richard Law. The Committee will normally meet three times a year to review the remuneration of the Executive Directors and other Executive Team members. The views of the Chief Executive are sought in respect of awards to the other Executive Director and Executive Team members.

Remuneration Policy

The Committee's overall approach is focused on ensuring the Company's remuneration policy is aligned with shareholders' interests whilst also enabling the Company to attract, retain and motivate high quality executive management. It is intended that this policy conforms with best practice standards.

The key objectives of the Company's remuneration policy are to:

- align Executive and shareholder interests;
- underpin an effective pay-for-performance culture; and
- support retention, motivation and recruitment of talented people.

The Committee aims to achieve an appropriate balance between fixed and variable remuneration, and between variable remuneration based on short-term and longer-term performance. Fixed remuneration includes base salary, benefits and pension until 30 June 2020. Variable remuneration includes annual bonus and awards made under the Long Term Incentive Plan. In addition to this, the Executive Directors are required to build and maintain a minimum shareholding in The Pebble Group plc shares, details of which are provided in the table below.

The structure of executive remuneration is in line with that of many established UK quoted companies balancing fixed remuneration, annual bonus and long-term performance share awards. Approximately 60% of the remuneration of the Executive Directors is subject to the achievement of performance targets. The link of remuneration outcomes to long-term performance is primarily through the LTIP which has stretching targets based on adjusted EPS and absolute share price performance. The Committee recognises the risk of target-based plans and addresses this risk through careful consideration in the choice and pitching of performance targets, the ability to exercise discretion, the attachment of malus and clawback provisions to Long Term Incentive Plan awards and the application of a shareholding guideline. In the light of this remuneration structure and the substantial shareholdings of both the CEO and CFO, the Committee is satisfied that the executive directors are well aligned with the long-term performance of the Company.

The Committee will take into account periodic external comparisons to examine current market trends and practices at equivalent roles in similar companies. The Committee also uses external executive remuneration consultants h2glenfern Remuneration Advisory Limited, where appropriate, to provide advice.

This part of the report sets out the remuneration policy with regard to the Executive Directors. The policy on each element of remuneration and how it operates is detailed in the table below:

Elements of Remuneration

Element	Link to remuneration policy/strategy	Operation	Maximum opportunity	Performance metric
Base Salary	To help recruit and retain high performing Executive Directors. Reflects the individual's experience, role and importance to the business.	Basic salary is reviewed annually as at 1 January with reference to each Executive Director's performance and contribution during the year, company performance, the scope of the Executive Directors' responsibilities and consideration of competitive pressures.	There is no prescribed maximum annual base salary or salary increase. The Committee is guided by the general increase for the broader employee population, but has discretion to decide to a lower or a higher increase.	The Committee considers individual and Company performance when setting base salary.
Benefits	To help recruit and retain high performing Executive Directors. To provide market competitive benefits.	Benefits are in line with those offered to other senior management employees and may include medical expenses cover and life insurance cover. The CEO and CFO also receive permanent health insurance and from 1 July 2020 a Company car, the value of which is equivalent to 5% of base salary per annum.	No maximum potential value.	None.

Element	Link to remuneration policy/strategy	Operation	Maximum opportunity	Performance metric
Pension	To help recruit and retain high performing Executive Directors. To provide market competitive pensions.	Until 30 June 2020, the CEO and CFO received an employer's pension contribution or a cash supplement.	Until 30 June 2020 CEO and CFO 5% of base salary. This percentage is in line with the pension contribution made by the Company to its UK workforce.	None.
Annual bonus	To incentivise and reward performance. To align the interests of the Executives and shareholders in the short and medium term.	Parameters, performance criteria, weightings and targets are set at the start of each year. Payments are made in cash following completion of the year, subject to the Committee's assessment of performance against targets and other matters it deems relevant.	The maximum bonus opportunity for the CEO and CFO is 100% of base salary.	Performance measures may include financial, non-financial, personal and strategic objectives. Performance criteria and weightings may be changed from year to year. At present, the performance target is based on Adjusted EBITDA which is considered by the committee to be the Group's key financial performance indicator.
Long Term Incentive Plan	To incentivise and reward long-term performance and value creation. To align the interests of Executive Directors and shareholders in the long-term.	Executive Directors are eligible to receive awards under the Long Term Incentive Plan at the discretion of the Committee. Awards are granted as nil cost options or conditional awards which vest after three years subject to the meeting of objective performance conditions specified at award. Awards are subject to malus and clawback provisions. An additional holding period post vesting may be applied. Dividend equivalents may be added to awards.	The annual award to the CEO and CFO is normally 100% of base salary.	Performance measures may include financial and share price performance-based targets. Performance criteria and weightings may be changed from year-to-year. For awards made in 2020 as disclosed at the time of IPO, 70% of the award was subject to a cumulative EPS target and 30% was subject to an absolute total shareholder return (TSR) target. Details are set out later in this report.
Shareholding requirement	Encourages Executive Directors to achieve the Company's long- term strategy and create sustainable stakeholder value. Aligns with shareholder interests.	CEO and CFO 200% of salary. The shareholdings of the CEO and CFO are currently well in excess of this guideline.		
Non-executive Director remuneration	To provide fees appropriate to time commitments and responsibilities of each role.	Non-executive Directors are paid a base fee in cash. Fees are reviewed periodically. In addition, reasonable business expenses maybe reimbursed.	The Board is guided by the general increase for the broader employee population and takes into account relevant market movements.	

Remuneration report

Malus and clawback

Both annual bonus and long-term incentive awards are subject to malus and clawback provisions covering two years. Reasons for malus and clawback being applied would include material misstatement in audited results, discovery of errors or inaccuracies in the assessment of any performance condition, fraud or gross misconduct, events or behaviour which lead to the censure of the Group by a regulatory authority or have a significant detrimental impact on the reputation of the Group.

Remuneration of employees below the Board

Employees below the Board receive base salary, benefits, annual bonus, and senior members of staff are invited to participate in the Long Term Incentive Plan.

Statement of consideration of employment conditions across the Group

Pay and conditions throughout the Group are taken into consideration when setting remuneration policy. The Committee does not consult other employees when setting executive remuneration.

Shareholder consultation

The Committee's policy is to consult with major shareholders in respect of significant decisions on executive remuneration.

The Chairman of the Remuneration Committee is available for contact with investors concerning the Company's approach to remuneration. This Directors' Remuneration report will be put to an advisory vote at the coming 2021 AGM.

Executive Directors' service contracts and payments for loss of office

Our Executive Directors have rolling service contracts dated 28 November 2019 with an indefinite term, but a fixed period of 12 months' notice of termination. Our approach to remuneration in each of the circumstances in which an Executive Director may leave is determined by the Remuneration Committee in accordance with the rules of any applicable scheme.

Non-executive Directors' letters of appointment

The Non-executive Directors do not have service contracts but instead have letters of appointment dated 28 November 2019 which contain a three-month notice period.

Consideration of new Executive Directors or senior executives

When recruiting or promoting any senior executive, we seek to apply consistent policies on fixed and variable remuneration components in line with the remuneration policy set out above. This helps to ensure that any new Executive Director or senior executive is on the same remuneration footing as existing Executive Directors or senior executives respectively, while still taking into account the skill and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Annual Report on Remuneration

This section sets out details of remuneration in 2020.

2020 Summary of Directors' Total Remuneration (audited)

Name	Salary/fee £	Bonus £	Pension £	Benefits £	Total £
Executive					
Christopher Lee	222,252	–	4,499	11,590	238,341
Claire Thomson	165,246	–	5,345	9,174	179,765
Non-executive					
Richard Law	80,777	–	–	–	80,777
Yvonne Monaghan	36,350	–	–	–	36,350
Stuart Warriner	36,350	–	–	–	36,350

2019 Summary of Directors' Total Remuneration (audited)

Name	Salary/fee £	IPO Bonus £	Pension £	Benefits £	Total £
Executive					
Christopher Lee	210,000	170,000	14,462	2,283	396,745
Claire Thomson	144,428	130,000	15,417	1,625	291,470
Non-executive					
Richard Law	8,333	–	–	–	8,333
Yvonne Monaghan	3,750	–	–	–	3,750
Stuart Warriner	3,750	–	–	–	3,750

Annual bonus

In the light of the COVID-19 pandemic, it was agreed by the Board that there would be no bonus scheme for the Executive Directors for 2020 and no bonus amounts were paid.

Long Term Incentive Plan

Long-term incentive awards were granted to the CEO and CFO on 21 December 2020. The table below summarises the awards made to the Executive Directors under the plan.

Nil cost awards with performance conditions as at 31 December 2020.

The 2020 awards were granted on 21 December 2020. The value at grant date has been calculated on the basis of the closing share price on 20 December 2020 of 1.115p per share.

Award date	Interest at 31 December 2019	Granted	Value at grant date	Vested	Exercised	Lapsed	Interest at 31 December 2020	Vesting period ending
Christopher Lee								
21 December 2020	–	242,152	£270,000	–	–	–	242,152	21 December 2023
Claire Thomson								
21 December 2020	–	179,372	£200,000	–	–	–	179,372	21 December 2023

Performance conditions	2020 award 70% cumulative adjusted EPS and 30% TSR
Cumulative adjusted EPS Adjusted EPS as defined in the LTIP rules, excludes share-based payment costs, exceptional items and amortisation from acquired intangibles	Cumulative adjusted EPS for the 3 years ended 30 June 2023 Threshold (25% of maximum vesting) 13.4p Mid-range (60% of maximum vesting) 14.3p Maximum (100% of maximum vesting) 15.1p
Annualised TSR Annualised growth in total shareholder returns	Threshold 8% pa (25% maximum vesting) Mid-range 11.3% pa (60% maximum vesting) Maximum 15% pa (100% maximum vesting)

Performance between these levels is determined on a straight-line basis.

The performance period for the 3 years ending 30 June 2023 was chosen as the timing of the awards was deferred to December 2020.

The charge for share-based payments is detailed in note 25 to the accounts.

Directors' interests in shares

The interests of the Directors as at 31 December 2020 and 31 December 2019 in the shares of the Company were:

	31 December 2020		31 December 2019	
Name	Number	% of issued shares	Number	% of issued shares
Richard Law	239,963	0.1%	95,238	0.1%
Christopher Lee	6,091,515	3.6%	5,941,515	3.5%
Claire Thomson	2,907,243	1.7%	2,857,243	1.7%
Yvonne Monaghan	35,000	0.0%	15,000	0.0%
Stuart Warriner	50,000	0.0%	–	–

Remuneration report

Directors remuneration for the year commencing 1 January 2021

Due to the challenging year for the Group, there will be no increase in Director salaries or fees for 2021. The salaries for CEO and CFO effective 1 January 2021 remain as set for 2020 at £270,000 and £200,000, respectively. Fees for the Chairman and other Non-executive Directors effective 1 January 2021 remain as set for 2020 as follows:

Name	Role	Committee Chair	Annual fee 2020	Annual fee 2019
Richard Law	Chairman	Nomination	£100,000	£100,000
Yvonne Monaghan	Non-executive Director	Audit	£45,000	£45,000
Stuart Warriner	Non-executive Director	Remuneration	£45,000	£45,000

The Committee has now approved implementation of the annual bonus scheme for Executive Directors which will operate as set out in the policy table above. Annual bonus for 2020 will be based solely on Adjusted EBITDA performance.

Long Term Incentive Plan for 2021

Long-term incentive awards are planned for mid-year 2021 and will operate as set out in the policy table above.

Sharesave Plan "SAYE scheme"

After postponement in 2020 due to the COVID-19 disruption to the business, the Board has now approved the implementation of the SAYE scheme in 2021, the rules of which were adopted by the Board on 28 November 2019. The Committee views this as a positive step to facilitate increased engagement and investment in the success of the Group by all employees.

Stuart Warriner
Remuneration Committee Chairman
23 March 2021

Directors' report
For the year ended 31 December 2020

The Directors present their report together with the audited Group Financial Statements of The Pebble Group plc (the Company) for the year ended 31 December 2020.

Business review and future developments
A review of the performance of the Group during the year, including principal risks and uncertainties, key performance indicators and comments on future developments is given in the Strategic Report.

Results and dividends
The Group recorded revenue in the year of £82.4m (2019: £107.2m) and profit after tax of £4.1m (2019: loss of £12.3m). No interim dividend has been paid in the year (2019: £nil). The Directors do not recommend the payment of a final dividend (2019: £nil).

Financial risk management
Information relating to the principal risks and uncertainties of the Group has been included within the Strategic Report on pages 38 - 41. Further information relating to the financial risk of the Group has been included within note 24, financial risk management.

Going concern
In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for the two years ending 31 December 2022. Following careful consideration of the base case forecasts and the application of severe but plausible downside scenarios to these forecasts, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate within the level of its current facilities for a period of at least twelve months from the date of this Report. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the Group and Company financial statements.

Directors and their interests
The Directors of the Company who were in office during the year and up to the date of signing the Group financial statements were:

Richard Law	appointed 28 November 2019
Christopher Lee	appointed 17 October 2019
Yvonne Monaghan	appointed 28 November 2019
Claire Thomson	appointed 17 October 2019
Stuart Warriner	appointed 28 November 2019

In accordance with the Articles of Association, a third of the Board are required to stand for re-election at the forthcoming AGM; and any Director who hasn't been re-elected at one of the two previous AGMs is to be proposed for re-election. However, the Board has decided that all Directors will be retiring and seeking re-election by the Company's shareholders at the AGM 2021. The Directors confirm that having conducted a performance evaluation, each Director continues to contribute and demonstrate commitment to their role.

The Directors who held office during the year and as at 31 December 2020 had the following interests in the Ordinary Shares of the Company:

Name of Director	Number
Richard Law	239,963
Christopher Lee	6,091,515
Claire Thomson	2,907,243
Yvonne Monaghan	35,000
Stuart Warriner	50,000

The market price of the Company's shares at the end of the financial year was 130.0p (31 December 2019: 139.0p) and the range of market prices during the year ended 31 December 2020 was between 71.0p and 156.5p.

Further details on related party transactions with Directors are provided in note 26 of the Group financial statements.

Directors' insurance
The Company maintains Directors and Officers' liability insurance for the Directors, which was in force during the full year 2020 and remains in force as at the date of this report.

Significant shareholdings
As at 22 March 2021, the Company has been advised, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority of the following notifiable interests in 3% or more of its voting rights.

Liontrust Asset Management plc	32,920,496	19.7%
Elysian Capital	23,258,664	13.9%
BlackRock Investment Management (UK) Limited	20,766,661	12.4%
FIL Investments International	15,452,691	9.2%
Capital International, UK	13,396,071	8.0%
Amati Global Investors	8,472,500	5.1%
Christopher Lee	6,091,515	3.6%
Chelverton Asset Management	5,790,000	3.5%
Coeli Asset Management	5,052,000	3.0%

Employees
The Group regularly provides employees with information on matters of concern to them, consulting them or their representatives regularly so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as common goals and awareness of the Group's strategy play a major role in delivering its strategic objectives. The Group issued its first Long Term Incentive Plan in December 2020 in which 48 senior people across the Group are participating. Further to this, the Group intends to issue its first SAYE scheme in 2021.

Directors' report
For the year ended 31 December 2020

The Group recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to such persons, including any employee who becomes disabled, having regard to their particular aptitudes and abilities. Where practicable, disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

Further details on how the Company communicates with its teams as a key stakeholder group and has regard to their interests can be found in the Section 172 Statement on pages 17 – 19.

Political donations
It is the Company's policy not to make political donations. The Directors confirm that no donations for political purposes were made during the year (2019: nil).

Share capital and voting
The Company has two classes of equity share, 0.01p Ordinary shares and 0.01p Deferred shares. The Ordinary shares have full voting, dividend and capital distribution rights, including on winding up. They are non-redeemable. The Deferred shares have no voting, dividend or other distribution rights. On a return of capital, the holders of the Deferred shares shall be entitled to receive only the amount paid-up or credited as paid-up and shall become entitled to receive such amount only once the holders of the Ordinary shares have been paid in or credited as paid-up thereon plus £250,000. The Deferred shares are not redeemable. The rights and obligations attaching to these shares are governed by the Companies Act 2006 and the Company's Articles.

As at 31 December 2020, the Company's issued share capital comprised: 167,450,893 Ordinary shares of £0.01 and 12,564,501 Deferred shares of £0.01 totalling 180,015,394.

Appointment and replacement of Directors and changes to constitution
Rules governing the appointment and replacement of Directors and those relating to the amendments of the Company's Articles of Association are contained within the Articles of Association, a copy of which can be found on the Company website at www.thepebblegroup.com.

Notice of Annual General Meeting
Details of business to be conducted at this year's AGM, are contained in the Notice of the Annual General Meeting which will be communicated to shareholders separately. It is the opinion of the Directors that the passing of these resolutions is in the best interest of the shareholders.

Corporate governance
The Group's statement on corporate governance can be found in the Corporate governance section of this Annual Report on pages 46 – 51, which is incorporated by reference and forms part of this Directors' Report. It can also be found on the Company's website.

Directors' Statement as to disclosure of information to auditors
The Directors of the Company at the date of the approval of this report confirm that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

UK greenhouse gas emissions and energy use
Under the Companies (Directors' Report) and Limited Liabilities Partnerships (Energy & Carbon Report) Regulations 2019, we are mandated to disclose our UK energy use and associated greenhouse gas (GHG) emissions. Specifically, and as a minimum, we are required to report those GHG emissions relating to natural gas, electricity and transport fuel as well as an intensity ratio, under the Streamlined Energy & Carbon Reporting (SECR) Regulations.

Greenhouse gas emissions and energy use relates to the Groups UK based business operations (Brand Addition):

Emission data	Unit of measure	2019	2020	2019 vs 2020
Direct (Scope 1) CO2 emissions – Natural gas	kgCO2e	58,621	50,645	-14%
Indirect (Scope 2) CO2 emissions – Purchased electricity	kgCO2e	87,476	60,297	-31%
Other (Scope 3) CO2 emissions – Business travel in employee-owned vehicles	kgCO2e	34,520	15,875	-54%
Total energy consumption	kWh	**802,168**	**571,235**	**-29%**
Total emissions	kgCO2e	**180,618**	**126,817**	**-30%**
Intensity ratio kgCO2 per £m of revenue		**3,061**	**2,714**	**-11%**

Energy Improvements

The Company has a target of a 1% year-on-year reduction of energy usage and emissions compared to its 2018 baseline. As part of our ISO 50001 accreditation, we have identified a number of improvement areas that are under review and plans are in place to develop longer-term energy reduction targets.

Methodology

Brand Addition has followed the 2019 HM reporting Government guidelines and our own internal ISO50001 framework for energy and carbon reporting. Our calculation methods have used the 2020 Defra (Department for Environment, Food & Rural Affairs)/BEIS (Department for Business, Energy & Industrial Strategy) conversion factors for company reporting.

Intensity Measures

The chosen intensity measurement ratio is the total gross emissions in kg CO_2e per £m revenue (kgCO_2e/£m) to allow for emissions normalisation.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the AGM.

Matters disclosed elsewhere within the financial statements

Required disclosures have been included within the Strategic Report.

By order of the Board

Lucy Penfold
Company Secretary

The Pebble Group PLC
Broadway House
Trafford Wharf Road
Manchester
M17 1DD

Registered number: 12231361

23 March 2021

Statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Claire Thomson

Claire Thomson
Chief Financial Officer
23 March 2021

Independent auditors' report to the members of The Pebble Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- The Pebble Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's and Company's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated statement of financial position and the Company balance sheet as at 31 December 2020; the Consolidated income statement, Consolidated statement of other comprehensive income, Consolidated and Company statements of changes in equity, and Consolidated cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the Group financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- We performed a full scope audit of three significant components within the Group, and additional procedures over select financial statement line items in certain smaller components. The audit work performed over these components represented 97% of consolidated revenue, 80% of consolidated profit before tax and 79% of consolidated Adjusted EBITDA.

Key audit matters

- Impact of Covid-19 (Group and parent)
- Accuracy of capitalised development costs (Group)

Materiality

- Overall Group materiality: £291,000 (2019: £377,000) based on 2.5% of 3-year average Adjusted EBITDA (2019: Adjusted EBITDA).
- Overall Company materiality: £261,900 (2019: £339,000) based on 1% of total assets, restricted to 90% of Group financial statement materiality.
- Performance materiality: £218,000 (Group) and £196,400 (Company).

Independent auditors' report to the members of The Pebble Group plc

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in 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 in the Auditors' responsibilities for the audit of the financial statements section, 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.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety laws, tax legislation and environmental legislation in the countries in which the Group operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, including relating to revenue recognition and EBITDA, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- obtaining an understanding of the legal and regulatory framework applicable to the Group and how the Group is complying with that framework.
- discussions with management and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- reading any key correspondence with regulatory authorities that has taken place in the year.
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.
- challenging assumptions and judgements made by management in their significant accounting estimates.

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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

The accounting for the Initial Public Offering ("IPO") and finalisation of the acquisition accounting for Facilisgroup, which were key audit matters last year, are no longer included because of their one-off impact on the 2019 financial statements. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impact of Covid-19 (Group and parent) Refer to page 65 of the Directors' Report and Note 2b and Note 12 of the Notes to the Group financial statements. The Covid-19 pandemic has had a significant impact on the performance of parts of the Group during FY20. As a result, the pandemic has brought increased estimation uncertainty to certain areas of the financial statements. The key areas of the financial statements most impacted by the increased estimation uncertainty are described below: 1. The Directors have considered the appropriateness of the going concern basis of preparation in the Group's financial statements and concluded that this is appropriate. The Group has a £10m revolving credit facility, expiring in November 2023, and is required to remain in compliance with covenants attached to this facility. 2. The Group has goodwill of £35.8m as at 31 December 2020. The Directors considered the impact of Covid-19 on the assessment of impairment of goodwill and other intangible assets, as well as reasonably possible changes in key assumptions, including future growth rates and the discount rate. No impairments were identified in the year ended 31 December 2020 and this assessment was not found to be sensitive to a reasonably possible change in key assumptions.	In response to the key areas identified as being significantly impacted by Covid-19, we performed the following procedures: 1. Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included the procedures detailed in the 'Conclusions relating to going concern' section further below. 2. We evaluated and challenged the Directors' cash flow forecasts for the 5-year period. We compared the first years' forecast with the latest Board-approved budget and found it to be reasonable. We challenged the appropriateness of the growth rates for the period up to 2025 by comparing them with historical results and the current trading performance of each cash-generating unit, taking into account the impact of Covid-19 to trading performance in FY20. We compared the perpetual growth rate and discount rates to an acceptable range determined by our internal valuation experts. We performed sensitivity analyses on all of these key assumptions and assessed the likelihood of the extent to which changes in these assumptions, both individually or in aggregate, would be required to result in an impairment. Based on these procedures, we were satisfied that no impairments existed as at 31 December 2020, and the disclosures made in the financial statements are reasonable. Finally, we assessed whether the nature and extent of the disclosure made by management was sufficiently complete to articulate the impact of the pandemic on the business and its sector, supported by the information available to date. As a result of these procedures, we concluded that the impact of Covid-19 has been appropriately evaluated and reflected in the preparation of the financial statements.
Accuracy of capitalised development costs (Group) Refer to Note 2j, Note 3b and Note 12 of the Notes to the Group financial statements The Group capitalised costs of £2.0 million during the year ended 31 December 2020 primarily in relation to the development of its primary customer-facing platforms in Brand Addition and Facilisgroup. The cumulative net book value of such capitalised costs as at 31 December 2020 was £18.2 million. There is a risk that capitalised development costs are incorrectly valued in the closing balance sheet. This can arise where internally generated costs (such as wages and salaries) are incorrectly recorded and/or where impairments are required but not recognised in the financial statements.	We assessed whether the development costs capitalised met the criteria set within IAS 38 'Intangible assets'. We did not identify any material issues in our work in this area. We corroborated a sample of capitalised development costs to source documentation, including invoices and contracts of employment, and determined that they had been recorded accurately and met the criteria for capitalisation. We agreed, on a sample basis, that the proportion of internal employee costs capitalised, including relevant on-costs, was appropriate based upon their roles and responsibilities.

Independent auditors' report to the members of The Pebble Group plc

Key audit matter	How our audit addressed the key audit matter
Accuracy of capitalised development costs (Group) There is a risk that capitalised development costs are incorrectly valued in the closing balance sheet. This can arise where internally generated costs (such as wages and salaries) are incorrectly recorded and/or where impairments are required but not recognised in the financial statements. We focused on this area due to the inherent level of judgement involved in assessing whether costs capitalised meet the recognition criteria of IAS 38 'Intangible assets', and also due to the estimation required in forecasting future cash inflows to support the valuation of capitalised development costs at 31 December 2020.	We agreed, on a sample basis, that the proportion of internal employee costs capitalised, including relevant on-costs, was appropriate based upon their roles and responsibilities. We assessed the useful economic lives of the intangible assets as applied by management in determining the amortisation charge and agreed that these lives are appropriate for the assets to which they relate, and have been accurately applied. As a result of these procedures, we concluded that development costs capitalised in the year are free from material misstatement.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is split into two main operating segments, being Brand Addition and FacilisGroup. These are further split into 9 reporting components, which vary in size, and represent smaller operations in other countries around the world. The Group financial statements are a consolidation of these reporting components, as well as central operations.

We identified three full scope components based on their Adjusted EBITDA contribution: Brand Addition UK, Brand Addition US and FacilisGroup US. We also audited material consolidation journals. All audit work was performed by the Group audit team.

To obtain sufficient coverage over each financial statement line item in the consolidated financial statements, we also scoped in specific line items in five other, smaller components.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£291,000 (2019: £377,000).	£261,900 (2019: £339,000).
How we determined it	2.5% of 3-year average Adjusted EBITDA (2019: Adjusted EBITDA)	1% of total assets, restricted to 90% of Group financial statement materiality
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, Adjusted EBITDA is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. Due to the expected short-term impact on the 2020 results from Covid-19, a 3-year average of the Group's Adjusted EBITDA from the period 2018 – 2020 was deemed the most appropriate benchmark for determining materiality, representing a change from the 2019 benchmark.	The Company is a non-trading holding Company. The entity's assets relate solely to their ownership of the subsidiary trading companies and thus reflect the Company's purpose. Company materiality has been restricted to ensure it is not greater than 90% of the Group's financial statement materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £220,000 and £276,450. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £218,000 for the Group financial statements and £196,400 for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £14,550 (Group audit) (2019: £18,800) and £13,095 (Company audit) (2019: £16,950) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's forecasts and information for the period to December 2022, which included the expected impact of Covid-19;
- evaluating and assessing the process by which the Group's future cash flow forecasts were prepared;
- agreeing the opening position of the Group's cash flow forecasts to the January 2021 management accounts. We also agreed the gross debt and cash per the 2020 audited financial statements to the cash flow forecast;
- reviewing the arithmetical accuracy of management's forecasts;
- assessing and challenging management's key assumptions in the going concern model, including the forecast sales, margins, capital expenditure and other costs assumptions over the period to December 2022;
- evaluating the appropriateness of the severe but plausible cash flow forecast used in management's determination of the going concern basis of preparation, which included an assessment and sensitivity analysis of the key assumptions underpinning the cash flows throughout the going concern period;
- obtaining the terms of the Group's financing facility and the covenants in place in relation to this facility, and determining that the Group's base case and severe but plausible forecasts show compliance with all covenant conditions for at least 12 months from the date of the approval of financial statements;
- gaining an understanding of the potential mitigating actions that the Directors could implement to meet the requirements of the covenants; and
- reviewing management's disclosures in the financial statements. We are satisfied that they are consistent with the assessment performed. We also read the disclosures made in the other information and did not identify any inconsistencies with the financial statements.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Independent auditors' report to the members of The Pebble Group plc

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jonathan Studholme

Jonathan Studholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Manchester
23 March 2021

Consolidated income statement
For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue	4	**82,374**	107,163
Cost of goods sold	5	**(51,382)**	(67,107)
Gross profit		**30,992**	40,056
Operating expenses	5	**(24,781)**	(27,585)
Operating expenses – exceptional	7	**(542)**	(17,338)
Total operating expenses		**(25,323)**	(44,923)
Operating profit/(loss)		**5,669**	(4,867)
Analysed as:			
Adjusted EBITDA[1]		**9,755**	15,172
Depreciation	13	**(1,567)**	(1,246)
Amortisation	12	**(1,963)**	(1,455)
Share-based payment charge	25	**(14)**	–
Exceptional items	7	**(542)**	(17,338)
Total operating profit/(loss)		**5,669**	(4,867)
Finance expense	8	**(700)**	(5,426)
Profit/(loss) before taxation		**4,969**	(10,293)
Income tax expense	10	**(889)**	(2,032)
Profit/(loss) for the year		**4,080**	(12,325)
Basic and diluted earnings/(loss) per share	11	**2.44p**	(12.56)p

Note 1: Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, exceptional items, and share-based payments charge is a non-GAAP metric used by management and is not an IFRS disclosure.

All results derive from continuing operations.

Consolidated statement of other comprehensive income
For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Items that may be subsequently reclassified to profit and loss			
Foreign operations – foreign currency translation differences		**(708)**	(569)
Other comprehensive expense for the year		**(708)**	(569)
Profit/(loss) for the year		**4,080**	(12,325)
Total comprehensive income/(expense) for the year		**3,372**	(12,894)

Consolidated statement of financial position
As at 31 December 2020

	Note	As at 31 December 2020 £'000	As at 31 December 2019 £'000
ASSETS			
Non-current assets			
Intangible assets	12	**54,017**	50,167
Property, plant and equipment	13	**9,102**	6,081
Deferred tax assets	14	**493**	167
Total non-current assets		**63,612**	56,415
Current assets			
Inventories	16	**12,109**	7,952
Trade and other receivables	17	**20,988**	25,544
Cash and cash equivalents	18	**7,066**	8,861
Current tax assets		**829**	–
Total current assets		**40,992**	42,357
TOTAL ASSETS		**104,604**	98,772
LIABILITIES			
Non-current liabilities			
Lease liability	19	**7,645**	5,502
Trade and other payables	19	**930**	–
Deferred tax liabilities	14	**2,637**	1,816
Total non-current liabilities		**11,212**	7,318
Current liabilities			
Lease liability		**1,334**	838
Trade and other payables		**25,775**	27,569
Current tax liabilities		**–**	149
Total current liabilities	20	**27,109**	28,556
TOTAL LIABILITIES		**38,321**	35,874
NET ASSETS		**66,283**	62,898
Equity and reserves			
Share capital	22	**1,800**	1,800
Share premium	22	**78,451**	78,451
Merger reserve		**(103,581)**	(103,581)
Translation reserve		**(1,604)**	(896)
Share-based payments reserve		**13**	–
Retained earnings		**91,204**	87,124
TOTAL EQUITY		**66,283**	62,898

The notes on pages 80 to 109 are an integral part of these financial statements.

The financial statements on pages 75 to 109 were approved by the Board of Directors and authorised for issue on 23 March 2021, and were signed on its behalf by:

Claire Thomson

C Thomson
Director
23 March 2021

Consolidated statement of changes in equity
For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Share-based payments reserve £'000	(Accumulated losses)/ retained earnings £'000	Total equity £'000
At 1 January 2019	58	942	–	(327)	–	(4,086)	(3,413)
Loss for the year	–	–	–	–	–	(12,325)	(12,325)
Other comprehensive expense for the year	–	–	–	(569)	–	–	(569)
Total comprehensive expense	–	–	–	(569)	–	(12,325)	(12,894)
Issue of shares in year	58	–	105,236	–	–	–	105,294
Group reorganisation	(58)	(942)	(104,294)	–	–	–	(105,294)
Bonus issue of shares	104,523	–	(104,523)	–	–	–	–
Capital reduction	(103,535)	–	–	–	–	103,535	–
New shares issued on IPO	754	78,451	–	–	–	–	79,205
Total transactions with owners recognised in equity	1,742	77,509	(103,581)	–	–	103,535	79,205
At 31 December 2019	1,800	78,451	(103,581)	(896)	–	87,124	62,898
Profit for the year	–	–	–	–	–	4,080	4,080
Other comprehensive expense for the year	–	–	–	(708)	–	–	(708)
Total comprehensive income/ (expense)	–	–	–	(708)	–	4,080	3,372
Employee share schemes – value of employee services (note 25)	–	–	–	–	13	–	13
Total transactions with owners recognised in equity	–	–	–	–	13	–	13
At 31 December 2020	**1,800**	**78,451**	**(103,581)**	**(1,604)**	**13**	**91,204**	**66,283**

The notes on pages 80 to 109 are an integral part of these financial statements.

Consolidated cash flow statement
For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Operating profit/(loss)		**5,669**	(4,867)
Adjustments for:			
– Amortisation	12	**1,963**	1,455
– Depreciation	13	**1,567**	1,246
– Share-based payments charge	25	**13**	–
– Loss on disposal of fixed assets		**–**	18
Cash flows from/(used in) operating activities before changes in working capital		**9,212**	(2,148)
– Change in inventories	16	**(4,157)**	(502)
– Change in trade receivables	17	**4,556**	1,081
– Change in trade payables	20	**(2,146)**	545
Cash flows from/(used in) operating activities		**7,465**	(1,024)
– Income taxes paid		**(1,313)**	(2,486)
Net cash flows from/(used in) operating activities		**6,152**	(3,510)
Cash flows from investing activities			
– Purchase of property, plant and equipment	13	**(806)**	(603)
– Purchase of intangible assets	12	**(4,871)**	(1,483)
– Acquisition of subsidiaries and net cash outflows on change in ownership		**–**	(1,293)
Net cash flows used in investing activities		**(5,677)**	(3,379)
Cash flows from financing activities			
– Repayment of borrowings		**–**	(62,312)
– Lease payments		**(1,141)**	(1,190)
– Interest paid		**(700)**	(7,894)
– Ordinary shares issued		**–**	79,205
Net cash flows (used in)/from financing activities		**(1,841)**	7,809
NET CASH FLOWS		**(1,366)**	920
Cash and cash equivalents at beginning of year	18	**8,861**	8,150
Effect of exchange rate fluctuations on cash held		**(429)**	(209)
Cash and cash equivalents at end of year	18	**7,066**	8,861

The notes on pages 80 to 109 are an integral part of these financial statements.

Notes to the Group financial statements

1. General information

The principal activity of The Pebble Group plc (the "Company") is that of a holding company and the principal activity of the Company and its subsidiaries (the "Group") is the sale of products, services and technology to the promotional merchandise industry. The Group has two segments, Brand Addition and Facilisgroup. For Brand Addition this is the sale of promotional products internationally, to many of the world's best-known brands, and for Facilisgroup the provision of technology, consolidated buying power and community learning and networking events to SME promotional product distributors in North America, its Partners, through subscription-based services.

The Company was incorporated on 27 September 2019 in the United Kingdom and is a public company limited by shares registered in England and Wales. The registered office of the Company is Broadway House, Trafford Wharf Road, Trafford Park, Manchester, England M17 1DD. The Company registration number is 12231361.

2. Accounting policies

(a) Basis of preparation

The Group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Company financial statements have been prepared under FRS 102. Both financial statements have been prepared on the historical cost basis with the exception of certain items which are measured at fair value as disclosed in the principal accounting policies set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The financial information is presented in Sterling and has been rounded to the nearest thousand (£'000).

(b) Going concern

The Group meets its day-to-day working capital requirements through its own cash balances and committed banking facilities. In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for the two years ending 31 December 2022.

The forecasts and projections, which the Directors consider to be prudent, have been further sensitised by applying reductions to revenue growth and margin, to consider a severe but plausible downside. Under both the base and sensitised case the Group is expected to have headroom against covenants and a sufficient level of financial resources available through existing facilities when the future funding requirements of the Group are compared with the level of committed available facilities. Based on this, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group and Company financial statements.

(c) Forward looking statements

Certain statements in this Annual Report are forward looking with respect to the operations, strategy, performance, financial condition and growth opportunities of the Group. The terms "expect", "anticipate", "should be", "will be", "is likely to" and similar expressions identify forward-looking statements. Although the Board believes that the expectations reflected in these forward-looking statements are reasonable, by their nature these statements are based on assumptions and are subject to a number of risks and uncertainties. Actual events could differ materially from those expressed or implied by these forward-looking statements. Factors which may cause future outcomes to differ from those foreseen in forward-looking statements include, without limitation: general economic conditions and business conditions in the Group's markets; customers' expectations and behaviours; supply chain developments; technology changes; the actions of competitors; exchange rate fluctuations; and legislative, fiscal and regulatory developments. Information contained in this Annual Report and Accounts relating to the Group should not be relied upon as a guide to future performance.

(d) New standards, amendments and interpretations

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on these financial statements together with estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

(e) Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date control ceases.

2. Accounting policies (continued)

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(f) Revenue

Revenue arises from the provision of services through technology and a global infrastructure that enables the efficient sale and distribution of products to support corporate marketing activity and consumer promotions of businesses in Europe, North America and Asia.

To determine whether to recognise revenue, the Group follows the 5-step process as set out within IFRS 15:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Revenue is measured at transaction price, stated net of VAT, rebates and other sales related taxes.

Revenue is recognised either at a point in time, or over-time as the Group satisfies performance obligations by transferring the promised services to its customers as described below. Variable consideration, in the form of rebates, is recognised at a point in time.

Brand Addition sale of promotional product

Contracts with customers take the form of customer orders under a framework agreement. There is one distinct performance obligation, being the design, sourcing and distribution of products to the customer, for which the transaction price is clearly identified. Revenue is recognised at a point in time when the Group satisfies performance obligations by transferring the promised goods to its customers, i.e. when control has passed from the Group to the customer. This tends to be on receipt of the product by the customer.

Customer invoices tend to be raised when the goods are delivered and the performance obligation is satisfied. These invoices are shown within trade receivables and payment is usually made within 60 days (being the common payment terms). In cases where the goods have been delivered and an invoice cannot be raised at that time, the income is accrued and presented within contract assets on the statement of financial position. A small number of customers are invoiced in advance and these amounts are deferred and presented within contract liabilities.

Facilisgroup provision of technology, consolidated buying power and community learning through subscription-based services

Services are provided through signed annual partner agreements. There is one distinct performance obligation, being the provision of access to the Facilisgroup network. The transaction price is set on 1 January each year by reference to the previous year sales volumes and is fixed for the financial year. For new partners, the transaction price is calculated by reference to forecasted sales for the year the partner joins. Revenue is recognised over time on a monthly basis as the partners receive the benefits of being part of the network. Payments are received on a monthly basis as the performance obligations are satisfied over time.

(g) EBITDA and Adjusted EBITDA

Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA") and Adjusted EBITDA are non-GAAP measures used by management to assess the operating performance of the Group. EBITDA is defined as profit before finance costs, tax, depreciation and amortisation. Exceptional items and share-based payment charges are excluded from EBITDA to calculate Adjusted EBITDA.

The Directors primarily use the Adjusted EBITDA measure when making decisions about the Group's activities. As these are non-GAAP measures, EBITDA and Adjusted EBITDA measures used by other entities may not be calculated in the same way and hence are not directly comparable.

(g) Exceptional items

The Group's income statement separately identifies exceptional items. Such items are those that in the Directors' judgement are one-off in nature or non-operating and need to be disclosed separately by virtue of their size or incidence and may include, but are not limited to, restructuring costs, professional fees and other costs directly related to the purchase of businesses, and the raising of capital. In determining whether an item should be disclosed as an exceptional item, the Directors consider quantitative and qualitative factors such as the frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board.

(h) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where events or transactions that result in an obligation to pay more tax in the future, or a right to pay less tax in future, have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Notes to the Group financial statements

(continued)

2. Accounting policies (continued)

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Finance costs

Finance costs of financial liabilities are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount. Issue costs relating to financial instruments are recognised in the income statement over the term of the debt at a constant rate over the instrument's life. Foreign exchange differences on revaluation of foreign currency borrowings are also presented within finance costs.

(j) Intangible assets

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately, or which arise from legal or contractual rights regardless of whether those rights are separable and are initially recognised at fair value. In cases where the vendors of an acquired business are required to remain employed by the Group post-acquisition, the deferred payments are treated as post-acquisition remuneration and charged to profit and loss.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. Other intangibles are stated at cost less accumulated amortisation and accumulated impairment losses.

All intangible assets are denominated in the functional currency of the relevant subsidiary company and retranslated into Sterling at each period end date. Exchange differences are dealt with through the Consolidated statement of other comprehensive income. Intangible assets are presented in note 12.

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the date of acquisition. Customer relationships have a finite life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives of 20 years.

Development costs

Research costs are charged to the income statement in the year in which they are incurred and are presented within operating expenses. Internal development costs that are incurred during the development of significant and separately identifiable new technology are capitalised when the following criteria are met:

- it is technically feasible to complete the technological development so that it will be available for use;
- management intends to complete the technological development and use or sell it;
- it can be demonstrated how the technological development will develop probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- expenditure attributable to the technological product during its development can be reliably measured.

Capitalised development costs include costs of materials and direct labour costs. Internal costs that are capitalised are limited to incremental costs specific to the project.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred and presented within operating expenses, together with any amortisation which is charged to the income statement on a straight-line basis over the estimated useful lives of development intangible assets.

Assets classified as "work in progress" are not amortised as such assets are not currently available for (or in) use. Once available for use, assets will be recategorised and amortised at the rate appropriate to their classification.

Computer software

Computer software purchased separately, that does not form an integral part of related hardware, is capitalised at cost.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite and is presented within operating expenses. All intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Customer relationships – 20 years;
- Computer software – 3-5 years;
- Development costs – 3 years.

(k) Impairment losses

The carrying amounts of the Group's assets are tested for impairment. Assets with an indefinite useful life are not depreciated or amortised but are tested for impairment at each reporting date. Assets subject to amortisation/ depreciation and impairment losses are tested for impairment every time events or circumstances indicate that they may be impaired.

Impairment losses are recognised in the income statement based on the difference between the carrying amount and the recoverable amount.

2. Accounting policies (continued)

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value in use. To determine the value in use, management estimates expected future cash flows and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each asset and reflect current market assessments of the time value of money and asset-specific risk.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The Group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics; they have been Grouped based on the days past due.

(I) Financial instruments

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Financial assets

Non-derivative financial assets are classified as either financial assets at amortised cost, fair value through profit or loss or fair value through other comprehensive income. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. The basis of classification depends on the Group's business model and the contractual cash flow characteristics of the financial asset. The majority of financial assets of the Group are held at amortised cost.

Financial assets include trade and other receivables and cash and cash equivalents. Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Under IFRS 9, the Group elected to use the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. In addition, IFRS 9 requires the Group to consider forward-looking information and the probability of default when calculating expected credit losses. The measurement of expected credit losses reflects an unbiased and probability weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The expected loss rates are based on the payment profiles of sales over the year and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

The Group considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Consolidated income statement within "operating expenses".

When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "operating expenses" in the Consolidated income statement. Only when amounts are confirmed irrecoverable, are they written off to the Consolidated income statement.

Notes to the Group financial statements
(continued)

2. Accounting policies (continued)

Financial liabilities
Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. The Group's borrowings, finance leases, trade and most other payables fall into this category of financial instruments.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial derivatives
The Group uses derivative financial instruments to hedge its exposure to risks arising from operational activities, principally foreign exchange risk. In accordance with treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. The Group does not hedge account for these items. Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists. At certain times the Group has foreign currency forward contracts that fall into this category.

(m) Foreign currencies
Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The functional and presentational currency is Pounds Sterling.

The functional currency of a subsidiary is determined based on specific primary and secondary factors including the principal currency of the cash flows and the primary economic environment in which the subsidiary operates. Once determined, the functional currency is used and translated for consolidation purposes.

Foreign currency items are translated using the transaction date exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Foreign currency differences are taken to the income statement. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the transaction date exchange rate.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at closing rates. The income and expenses of foreign operations are translated at the average exchange rate of the year which approximates to the transaction date exchange rates. Exchange differences arising on consolidation are presented within other comprehensive income.

(n) Tangible assets and depreciation
Tangible fixed assets are stated at historical purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

• Leasehold property – 3-15 years;

• Fixtures and fittings – 5 years;

• Computer hardware – 5 years.

(o) Cash and cash equivalents
Cash and cash equivalents comprise cash balances. Bank borrowings that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

(p) Inventories
Inventories are valued at the lower of cost and net realisable value on a FIFO basis. Cost comprises purchase price plus associated freight and duty costs for imported goods. Inventories are regularly assessed for evidence of impairment. Where such evidence is identified, a provision is recognised to reduce the value of stock to its selling price after incurring any future costs to sell.

(q) Leases
The Group applies IFRS 16 to account for leases. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. Extension and termination options are included in a number of property and equipment leases across the Group and so lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

2. Accounting policies (continued)

The lease liability is initially measured at the present value of lease payments that were not paid at the commencement date, discounted using the Group's incremental borrowing rate, which is based on the Group's financing facilities.

The lease liability is measured at amortised cost using the effective interest method. If there is a remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded directly in profit or loss if the carrying amount of the right-of-use asset is zero.

The Group presents right-of-use assets within property, plant and equipment in Note 13.

Short-term leases and low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term lease of machinery that have a lease term of 12 months or less or leases of low value assets. These lease payments are expensed on a straight-line basis over the lease term.

(r) Segmental reporting

The Group reports its business activities in two areas being:

- Brand Addition - sale of promotional product through services provided under framework contracts on an international basis; and
- Facilisgroup - provision of technology, consolidated buying power and community learning and networking events to SME promotional product distributors in North America through subscription-based services.

This is reported in a manner consistent with the internal reporting to the Board of Directors, which has been identified as the Chief Operating Decision Maker. The Board of Directors consists of the Executive Directors and the Non-executive Directors.

(s) Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The Group operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid, the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are included in accruals within trade and other payables in the balance sheet. The assets of the plans are held separately from the Group in independently administered funds.

(iii) Share-based payments

Equity-settled awards are valued at the grant date, and the fair value is charged as an expense in the income statement spread over the vesting period. Fair value of the awards are measured using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model. The fair value of the options, appraised at the grant date, includes the impact of market-based vesting conditions.

Share-based remuneration is recognised as an expense in profit or loss with the credit side of the entry being recorded in equity.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

(t) Government grants

In preparing the financial statements, IAS 20, 'Accounting for Government Grants and Disclosure of Government Assistance' has been applied such that grants have been recognised in profit or loss on a systematic basis over the periods in which we have recognised the expense for the related costs for which the grants are intended to compensate. As part of the Coronavirus Job Retention Scheme, a benefit of £1.0 million has been credited to the Income Statement in the year. There are no unfulfilled conditions or other contingencies attached to this grant. In the US, a benefit of $0.9 million has been received and credited to the Income Statement against costs incurred, along with a further £0.3m taken in other countries.

(u) Equity, reserves and dividend payments

Share capital

Share capital represents the nominal (par) value of shares that have been issued.

Share premium

Share premium represents the difference between the nominal value of shares issued and the fair value of consideration received. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Merger reserve

The merger reserve was created as a result of the share for share exchange under which The Pebble Group plc became the parent undertaking prior to the Initial Public Offering ("IPO"). Under merger accounting principles, the assets and liabilities of the subsidiaries were consolidated at book value in the Group financial statements and the consolidated reserves of the Group were adjusted to reflect the statutory share capital, share premium and other reserves of the Company as if it had always existed, with the difference presented as the merger reserve.

Notes to the Group financial statements
(continued)

2. Accounting policies (continued)

Retained earnings
Retained earnings includes all current and prior period retained profits and losses, including foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities.

All transactions with owners of the parent are recorded separately within equity.

Dividends are recognised when approved by the Group's shareholders or, in the case of interim dividends, when the dividend has been paid. No interim dividend has been paid in the year (2019: £nil). The Directors do not recommend the payment of a final dividend (2019: £nil).

3. Judgements in applying accounting policies and key sources of estimation uncertainty
In the preparation of the Group financial statements, the Directors, in applying the accounting policies of the Group, make some judgements and estimates that affect the reported amounts in the financial statements. The following are the areas requiring the use of judgement and estimates that may significantly impact the financial statements:

(a) Accounting estimates
Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Goodwill impairment
The Group tests goodwill for impairment every year in accordance with the relevant accounting policies. The recoverable amounts of cash-generating units are determined by calculating value in use. These calculations require the use of estimates.

Goodwill relates to the various acquisitions made and amounts to £35,802,000 as at 31 December 2020. The estimates used in the impairment calculation are set out in note 12.

Valuation of acquired intangibles
IFRS 3 requires separately identifiable intangible assets to be recognised on acquisitions. The principal estimates used in valuing the acquired intangible assets are the future cash flows estimated to be generated from these contracts, expected customer attrition, growth in revenues and the selection of appropriate discount rates to apply to the cash flows. The Directors' assessment of these estimates is based on up-to-date information and evidence available at the time of finalising the valuation.

Useful economic lives of intangible assets
The Directors have estimated the useful economic lives of the acquired customer intangible assets to be 20 years based upon attrition rates and the Directors' judgement. These lives are reviewed and updated annually.

Useful economic lives of property, plant and equipment
Property, plant and equipment is depreciated over the useful lives of the assets. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The carrying values are tested for impairment when there is an indication that the value of the assets might be impaired. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would be based upon management judgement. Future events could cause the assumptions to change, therefore, this could have an adverse effect on the future results of the Group.

The useful economic lives applied are set out in the accounting policies and are reviewed annually.

(b) Accounting judgements

Judgements in applying accounting policies and key sources of estimation uncertainty
The following are the areas requiring the use of judgement that may significantly impact the Group financial statements:

Capitalisation of internal development costs
Distinguishing the research and development phases of a new customised project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Capitalised development expenditure is analysed further in note 12.

4. Segmental analysis
The Chief Operating Decision Maker ("CODM") has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board has determined that the operating segments, based on these reports, are:

- Brand Addition - sale of promotional product through complex services provided under framework contracts on an international basis; and
- Facilisgroup - provision of technology, consolidated buying power and community learning and networking events to SME promotional product distributors in North America through subscription-based services.

Segment information about the above businesses is presented opposite.

The Board assesses the performance of the operating segments based on Adjusted EBITDA. Other information provided to the Board is measured in a manner consistent with that in the financial statements. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment assets exclude centrally held cash at bank and in hand.

4. Segmental analysis (continued)

Major customers

In 2020 there were two major customers that individually accounted for at least 10% of total revenues (2019: one customer). The revenues relating to these customers in 2020 were £21,079,000 (2019: £13,073,000) and both related to the Brand Addition segment.

Analysis of revenue by geographical destination

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
United Kingdom	**22,274**	30,162
Continental Europe	**24,741**	31,805
America	**25,332**	31,616
Rest of World	**10,027**	13,580
Total revenue	**82,374**	107,163

The geographical revenue information above is based on the location of the customer.

All the above revenues are generated from contracts with customers and are recognised at a point in time or over time as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
At a point in time	**73,135**	98,933
Over time	**9,239**	8,230
Total revenue	**82,374**	107,163

All non-current assets of the Group reside in the UK, with the exception of non-current assets with a net book value of £26,396,000 (2019: £20,307,000) which were located in North America and £760,000 (2019: £309,000) located in other foreign countries.

Notes to the Group financial statements
(continued)

4. Segmental analysis (continued)

Income statement for the year ended 31 December 2020

	Brand Addition £'000	Facilisgroup £'000	Central operations £'000	Year ended 31 December 2020 £'000
Revenue	72,608	9,766	–	**82,374**
Cost of goods sold	(51,382)	–	–	**(51,382)**
Gross profit	21,226	9,766	–	**30,992**
Operating expenses	(18,233)	(5,077)	(1,471)	**(24,781)**
Operating expenses – exceptional	(429)	(42)	(71)	**(542)**
Total operating expenses	(18,662)	(5,119)	(1,542)	**(25,323)**
Operating profit/(loss)	2,564	4,647	(1,542)	**5,669**
Analysed as:				
Adjusted EBITDA	5,209	5,994	(1,448)	**9,755**
Depreciation	(1,316)	(242)	(9)	**(1,567)**
Amortisation	(900)	(1,063)	–	**(1,963)**
Share-based payments charge	–	–	(14)	**(14)**
Exceptional items	(429)	(42)	(71)	**(542)**
Total operating profit/(loss)	2,564	4,647	(1,542)	**5,669**
Finance expense	(433)	(29)	(238)	**(700)**
Profit/(loss) before taxation	2,131	4,618	(1,780)	**4,969**
Income tax (expense)/income	(176)	(1,182)	469	**(889)**
Profit/(loss) for the year	1,955	3,436	(1,311)	**4,080**

4. Segmental analysis (continued)

Statement of financial position as at 31 December 2020

	Brand Addition £'000	Facilisgroup £'000	Central operations £'000	As at 31 December 2020 £'000
ASSETS				
Non-current assets				
Intangible assets	37,839	16,178	–	**54,017**
Property, plant and equipment	5,558	3,424	120	**9,102**
Deferred tax assets	23	–	470	**493**
Total non-current assets	43,420	19,602	590	**63,612**
Current assets				
Inventories	12,109	–	–	**12,109**
Trade and other receivables	19,353	1,571	64	**20,988**
Cash and cash equivalents	5,677	538	851	**7,066**
Current tax asset	310	474	45	**829**
Total current assets	37,449	2,583	960	**40,992**
TOTAL ASSETS	80,869	22,185	1,550	**104,604**
LIABILITIES				
Non-current liabilities				
Lease liability	4,893	2,661	91	**7,645**
Trade and other payables	–	930	–	**930**
Deferred tax liability	–	2,637	–	**2,637**
Total non-current liabilities	4,893	6,228	91	**11,212**
Current liabilities				
Lease liability	1,096	218	20	**1,334**
Trade and other payables	22,995	2,181	599	**25,775**
Total current liabilities	24,091	2,399	619	**27,109**
TOTAL LIABILITIES	28,984	8,627	710	**38,321**
NET ASSETS	51,885	13,558	840	**66,283**

Notes to the Group financial statements
(continued)

4. Segmental analysis (continued)

Income statement for the year ended 31 December 2019

	Brand Addition £'000	Facilisgroup £'000	Central operations £'000	Year ended 31 December 2019 £'000
Revenue	97,872	9,291	–	107,163
Cost of goods sold	(67,107)	–	–	(67,107)
Gross profit	30,765	9,291	–	40,056
Operating expenses	(21,685)	(5,277)	(623)	(27,585)
Operating expenses – exceptional	–	(13,465)	(3,873)	(17,338)
Total operating expenses	(21,685)	(18,742)	(4,496)	(44,923)
Operating profit/(loss)	9,080	(9,451)	(4,496)	(4,867)
Analysed as:				
Adjusted EBITDA	10,703	5,092	(623)	15,172
Depreciation	(1,012)	(234)	–	(1,246)
Amortisation	(611)	(844)	–	(1,455)
Exceptional items	–	(13,465)	(3,873)	(17,338)
Total operating profit/(loss)	9,080	(9,451)	(4,496)	(4,867)
Finance expense	(481)	(37)	(4,908)	(5,426)
Profit/(loss) before taxation	8,599	(9,488)	(9,404)	(10,293)
Income tax income/(expense)	(1,651)	(1,011)	630	(2,032)
Profit/(loss) for the year	6,948	(10,499)	(8,774)	(12,325)

4. Segmental analysis (continued)

Statement of financial position as at 31 December 2019

	Brand Addition £'000	Facilisgroup £'000	Central operations £'000	As at 31 December 2019 £'000
ASSETS				
Non-current assets				
Intangible assets	39,666	10,501	–	50,167
Property, plant and equipment	5,303	778	–	6,081
Deferred tax assets	167	–	–	167
Total non-current assets	45,136	11,279	–	56,415
Current assets				
Inventories	7,952	–	–	7,952
Trade and other receivables	24,079	1,403	62	25,544
Cash and cash equivalents	5,931	1,083	1,847	8,861
Total current assets	37,962	2,486	1,909	42,357
TOTAL ASSETS	83,098	13,765	1,909	98,772
LIABILITIES				
Non-current liabilities				
Lease liability	5,151	351	–	5,502
Deferred tax liability	–	1,816	–	1,816
Total non-current liabilities	5,151	2,167	–	7,318
Current liabilities				
Lease liability	724	114	–	838
Trade and other payables	22,314	1,321	3,934	27,569
Current tax liabilities	252	(60)	(43)	149
Total current liabilities	23,290	1,375	3,891	28,556
TOTAL LIABILITIES	28,441	3,542	3,891	35,874
NET ASSETS/(LIABILITIES)	54,657	10,223	(1,982)	62,898

Notes to the Group financial statements
(continued)

5. Expenses by nature

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Inventory recognised as an expense	**45,686**	61,924
Other cost of sales	**5,696**	5,183
Staff costs (note 6)	**15,832**	18,896
Exceptional items (note 7)	**542**	17,338
Amortisation of intangible assets (note 12)	**1,963**	1,455
Depreciation of property, plant and equipment (note 13)	**1,567**	1,246
Auditors' remuneration (note 9)	**233**	359
Share-based payments charge (note 25)	**14**	-
Foreign exchange gain and movement in foreign exchange derivative contracts	**(47)**	(353)
Increase in provision for expected credit losses	**12**	-
Other external charges	**5,207**	5,982
Total cost of sales and operating expenses	**76,705**	112,030

Depreciation and amortisation are charged to operating expenses in the income statement.

6. Staff costs

Personnel costs are analysed below:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Staff costs (including Directors) consist of:		
Wages and salaries	**13,861**	16,805
Social security costs	**1,540**	1,622
Other pension costs	**431**	469
Total personnel expenses	**15,832**	18,896

Additional personnel costs of £1,688,000 (2019: £961,000) have been capitalised as intangible assets (see note 12). In 2019, personnel costs exclude the exceptional deferred contingent payments of £13,465,000 (see note 7).

Savings of £2,000,000 (2019: nil) from the use of Government furlough or equivalent schemes has been credited to wages and salaries in the year.

Defined contribution scheme

The amount recognised in the income statement as an expense in relation to the Group's defined contribution plans is £431,000 (2019: £469,000). Included within accruals and other creditors is £15,000 (2019: £60,000) for outstanding contributions to the defined contribution plans.

During the year, the monthly average number of the Group's employees (including Executive Directors and temporary employees) was as follows:

	Year ended 31 December 2020 No.	Year ended 31 December 2019 No.
By function:		
Management	**13**	9
Sales and distribution	**221**	225
Administration	**200**	193
Total employees	**434**	427

6. Staff costs (continued)

Key management compensation

Key management of the Group is considered to be the Board of Directors. Details of Directors' remuneration is disclosed in the Report of the Remuneration Committee on page 62. Remuneration paid to these individuals on an aggregated basis is as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Salaries including bonuses and social security costs	**541**	654
Pension contributions	**10**	30
Total remuneration	**551**	684

7. Operating expenses - exceptional

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Reorganisation and restructuring	**430**	-
Transaction and IPO related costs	**112**	3,873
Contingent consideration payments to vendors of Facilisgroup	**-**	13,465
Total exceptional	**542**	17,338

Exceptional items relate to the following:

- reorganisation and restructuring - costs were incurred in Brand Addition as a result of changes made to headcount to align people costs with anticipated ongoing sales volumes;
- transaction and IPO related costs - incremental external costs related to the acquisition of software assets and a license in 2020 and the IPO in 2019, and which relate to professional fees, the write-off of unamortised loan note fees as of the date of the IPO, and IPO related bonus payments; and
- the sale and purchase agreement for the acquisition of Facilisgroup in December 2018 detailed deferred payments to be made to the vendors for the sale of the shares. These payments required the vendors to remain in employment with the Group for the duration of the 24-month deferral period. Hence, they are treated as remuneration for post-acquisition services and the cost charged to profit and loss over the deferral period. All the deferred payments were settled in full prior to Admission. The deferred contingent payments required the vendors to remain in employment with the Group for the duration of the deferral period. As such, they are treated as remuneration for post-acquisition services and the cost charged to profit and loss over the deferral periods, rather than forming part of the settlement consideration. The deferred contingent payments have been charged to exceptional operating expenses in the income statement in the year ended 31 December 2019 (£13,465,000).

8. Finance expense

An analysis is set out below:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Bank loans	**-**	1,041
Other loans	**-**	2,939
Preference shares	**-**	1,562
Other interest	**267**	253
Amortisation of debt issue costs up to IPO date	**-**	412
Net foreign exchange gain on revaluation of debt	**-**	(1,200)
Unwind of discount finance costs on lease liabilities relating to IFRS 16	**433**	419
Total finance expense	**700**	5,426

Notes to the Group financial statements
(continued)

9. Auditors' remuneration

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Fees payable to the Company's auditors for the audit of The Pebble Group plc	104	48
Fees payable to the Company's auditors in respect of:		
Audit of the Company's subsidiaries	129	105
Other assurance services	–	12
Fees for taxation advisory services	–	80
Acquisition and IPO related	–	114
Total auditors' remuneration	**233**	359

10. Income tax expense

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Current income tax		
– UK corporation tax charge for the year	–	472
– Adjustments in respect of prior years	(112)	(85)
– Foreign tax	445	1,639
Total current income tax	**333**	2,026
Deferred tax		
– Deferred tax	522	6
– Adjustments in respect of prior years	48	-
– Impact of rate change	(14)	-
Total deferred tax	**556**	6
Total income tax expense	**889**	2,032

Current taxes comprise the income taxes of the Group companies which posted a taxable profit for the year, while deferred taxes show changes in deferred tax assets and liabilities which were recognised by the Group on the temporary differences between the carrying amount of assets and liabilities and their amount calculated for tax purposes, and on consolidation adjustments, calculated using the rates that are expected to apply in the year these differences will reverse.

Analysis of (credit)/charge in year	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Reconciliation of total tax (credit)/charge:		
Profit/(loss) before taxes	4,969	(10,293)
Profit/(loss) on ordinary activities multiplied by the rate of corporation tax in the UK of 19% (2019: 19%)	944	(1,956)
Effects of:		
Adjustments in respect of prior years	(64)	(85)
Impact of UK rate change	(14)	-
Non-deductible expenses and interest expense	90	3,586
Differences in tax rates in overseas jurisdictions	183	313
Unrecognised for deferred tax	503	276
Utilisation of unrecognised deferred tax brought forward	(753)	(102)
Total income tax expense	**889**	2,032

10. Income tax expense (continued)

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% from 1 April 2020 would no longer happen and that rates would remain at 19% for the foreseeable future. The new law was substantively enacted by a resolution under the Provisional Collection of Taxes Act 1968 on 17 March 2020 and as a result deferred tax balances have now been measured at 19%. In the Budget 2021, the Government announced that the rate of corporation tax will increase to 25% from 6 April 2023 for businesses with profits of £250,000 or more. The rate will remain at 19% until that date. The legislation to implement this new law has not been substantively enacted as of the date of this report, and therefore no adjustment to deferred tax balances has been recognised in the financial statements. However, the impact of the rate change is not expected to be material to the Group.

11. Earnings per share

Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year. As at 31 December 2019, no instruments with a potential or actual dilutive impact were in issue and therefore diluted EPS was the same as basic EPS. The impact of the potentially dilutive share options issued under The Pebble Group Plc Long-Term Incentive Plan on 21 December 2020 as detailed in note 25 has no impact on the basic earnings per share for the year ended 31 December 2020 and hence has not been presented.

The calculation of basic profit per share is based on the following data:

Statutory EPS

	Year ended 31 December 2020	Year ended 31 December 2019
Earnings (£'000)		
Earnings/(loss) for the purposes of basic earnings per share being profit/(loss) for the year attributable to equity shareholders	**4,080**	(12,325)
Number of shares		
Weighted average number of shares for the purposes of basic earnings/(loss) per share	**167,450,893**	97,390,317
Basic and diluted earnings/(loss) per ordinary share (pence)	**2.44**	(12.56)

Adjusted EPS

The calculation of adjusted earnings per share is based on the after tax adjusted operating profit after adding back certain costs as detailed in the table below. Adjusted earnings per share figures are given to exclude the effects of amortisation of acquired intangible assets, share based payment charges and exceptional items, all net of taxation, and are considered to show the underlying performance of the Group.

The weighted average number of shares uses the number of shares in issue post Admission on 5 December 2019. This has been applied retrospectively to the number of shares in issue throughout 2019 and the metric has been restated to ensure that the adjusted earnings per share figures are comparable over the two periods.

	Year ended 31 December 2020	Year ended 31 December 2019
Earnings (£'000)		
Earnings for the purposes of basic earnings per share being adjusted earnings	**4,965**	4,702
Number of shares		
Weighted average number of shares for the purposes of adjusted earnings per share	**167,450,893**	167,450,893
Basic and diluted adjusted earnings per ordinary share (pence)	**2.96**	2.81

Notes to the Group financial statements (continued)

11. Earnings per share (continued)

The calculation of basic adjusted earnings per share is based on the following data:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Profit/(loss) for the year attributable to equity shareholders	**4,080**	(12,325)
Add back/(deduct):		
Amortisation charge on acquired intangible assets	**537**	525
Share-based payments charge	**14**	-
Exceptional items	**542**	17,338
Tax effect of the above	**(208)**	(836)
Adjusted earnings	**4,965**	4,702

12. Intangible assets

	Goodwill £'000	Customer relationships £'000	Software and development costs £'000	Work in progress £'000	Total £'000
Cost					
Balance at 1 January 2019	35,958	10,751	8,613	1,433	56,755
FX difference on translation	(76)	(314)	(37)	-	(427)
Additions	-	-	1,184	299	1,483
Reclassifications	-	-	1,396	(1,396)	-
Balance at 31 December 2019	35,882	10,437	11,156	336	57,811
FX difference on translation	(80)	(293)	(21)	-	(394)
Additions	-	-	5,860	293	6,153
Disposals	-	-	(272)	-	(272)
Reclassifications	-	-	407	(407)	-
Balance at 31 December 2020	**35,802**	**10,144**	**17,130**	**222**	**63,298**
Accumulated amortisation					
Balance at 1 January 2019	-	110	6,097	-	6,207
FX difference on translation	-	-	(18)	-	(18)
Charge for year	-	525	930	-	1,455
Balance at 31 December 2019	-	635	7,009	-	7,644
FX difference on translation	-	(15)	(39)	-	(54)
Charge for year	-	537	1,426	-	1,963
Disposals	-	-	(272)	-	(272)
Balance at 31 December 2020	**-**	**1,157**	**8,124**	**-**	**9,281**
Net book value					
At 31 December 2018	35,958	10,641	2,516	1,433	50,548
At 31 December 2019	35,882	9,802	4,147	336	50,167
At 31 December 2020	**35,802**	**8,987**	**9,006**	**222**	**54,017**

Personnel costs of £1,688,000 (2019: £961,000) have been capitalised as intangible assets.

On 18 December 2020, Facilisgroup acquired software assets and a license from a US-based software developer, for a total cash consideration of \$5.3m (£3.8m), included in Software and Development costs.

The remaining amortisation periods for customer relationships are between 16 and 18 years (2019: 17 and 19 years) and for software and development costs are between 1 and 5 years.

12. Intangible assets (continued)

Goodwill has been tested for impairment. The method, key assumptions and results of the impairment review are detailed below:

Goodwill is attributed to the respective cash-generating units ("CGUs") within the Group (Brand Addition and Facilisgroup). Goodwill has been tested for impairment by assessing the value in use of each cash-generating unit. The value in use calculations were based on projected cash flows in perpetuity. Budgeted cash flows for 2021 to 2025 were used. These were based on a forecast for 2021 with growth rates of 7% (Facilisgroup) to 8% (Brand Addition) applied to EBITDA, with appropriate adjustments made for changes in working capital and other cash flows for the following four years. Subsequent years were based on a reduced rate of growth of 2.0% (2019: 3.0%) into perpetuity.

These growth rates are based on past experience and market conditions and discount rates are consistent with external information. The growth rates shown are the average applied to the cash flows of the individual cash generating units and do not form a basis for estimating the consolidated profits of the Group in the future.

The Directors used an estimated market weighted average cost of capital ("WACC") of 9.0% for Brand Addition and 9.4% for Facilisgroup (2019: 12.4% for Brand Addition and 13.0% for Facilisgroup) to discount the cash flows used for the CGUs. The value in use calculations described above, together with sensitivity analysis using reasonably possible changes in the key assumptions as described above, indicate significant headroom and therefore do not give rise to impairment concerns.

Having completed the impairment reviews at the date of transition and at each subsequent balance sheet date, no impairments were identified.

Goodwill is attributable to the following segments:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Brand Addition	**33,057**	33,057
Facilisgroup	**2,745**	2,825
	35,802	35,882

Notes to the Group financial statements
(continued)

13. Property, plant and equipment

	Leasehold property £'000	Fixtures and fittings £'000	Computer hardware £'000	Right-of-use assets £'000	Total £'000
Cost					
Balance at 1 January 2019	1,199	2,365	2,060	8,701	14,325
Impact of foreign exchange translation	2	(54)	(20)	(145)	(217)
Additions	49	293	261	2,101	2,704
Disposals	–	–	(26)	(151)	(177)
Balance at 31 December 2019	1,250	2,604	2,275	10,506	16,635
Impact of foreign exchange translation	(28)	(5)	(13)	(27)	(73)
Additions	90	151	565	3,853	4,659
Disposals	–	(349)	(119)	(1,537)	(2,005)
Balance at 31 December 2020	**1,312**	**2,401**	**2,708**	**12,795**	**19,216**
Accumulated depreciation					
Balance at 1 January 2019	924	2,077	1,726	4,804	9,531
Impact of foreign exchange translation	5	(48)	(10)	(148)	(201)
Charge for the year	107	79	171	889	1,246
Disposals	–	–	(22)	–	(22)
Balance at 31 December 2019	1,036	2,108	1,865	5,545	10,554
Impact of foreign exchange translation	(22)	(1)	(9)	30	(2)
Charge for the year	42	121	240	1,164	1,567
Disposals	–	(349)	(119)	(1,537)	(2,005)
Balance at 31 December 2020	**1,056**	**1,879**	**1,977**	**5,202**	**10,114**
Net book value					
Balance at 31 December 2018	275	288	334	3,897	4,794
Balance at 31 December 2019	214	496	410	4,961	6,081
Balance at 31 December 2020	**256**	**522**	**731**	**7,593**	**9,102**
Right-of-use assets – net book value					
Balance at 31 December 2018	3,644	79	174	–	3,897
Balance at 31 December 2019	4,800	21	140	–	4,961
Balance at 31 December 2020	**7,267**	**227**	**99**	**–**	**7,593**

14. Deferred tax assets and liabilities

Deferred tax assets and liabilities are analysed as follows:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Accelerated capital allowances	**15**	148
Other short-term timing differences	**11**	19
On losses	**467**	–
Total deferred tax assets	**493**	167
On intangible assets	**(2,637)**	(1,816)
Total deferred tax liabilities	**(2,637)**	(1,816)

The above amounts reflect the differences between the carrying and tax amounts of the following balance sheet headings as at each year end.

Of the deferred tax balances at year end, £493,000 of the deferred tax assets and £347,000 of the deferred tax liabilities are expected to be utilised within one year.

Changes during each year are as follows:

	Asset £'000	Liability £'000
Balance at 1 January 2019	269	(1,978)
Tax (charge)/credit in respect of current year	(102)	96
Foreign exchange translation	–	66
Balance at 31 December 2019	167	(1,816)
Tax credit/(charge) in respect of current year	326	(882)
Foreign exchange translation	–	61
Balance at 31 December 2020	**493**	**(2,637)**

There are unrecognised deferred tax assets relating to capital losses of £9,900,000 (2019: £9,900,000) and in respect of trading losses of £503,000 (2019: £276,000). The Directors have assessed that there will not be sufficient taxable profits available in future periods, for the entities in the Group in which these losses reside, in order to utilise these losses.

15. Investments

The Company directly owns the whole of the issued ordinary shares of the following subsidiary undertakings.

The Directors believe that the carrying value of the investments is supported by their underlying net assets and future trading forecast.

Name	Registered address	Principal activity	Class of share	Percentage holding
The Pebble Group (Holdings) Limited	Broadway Trafford Wharf Road Manchester M17 1DD	Holding company	Ordinary	100%
Project Amber Bidco Limited		Holding company	Ordinary	100%
H.I.G Milan UK Topco Limited		Holding company	Ordinary	100%
H.I.G Milan UK Midco Limited		Holding company	Ordinary	100%
H.I.G Milan UK Bidco Limited		Holding company	Ordinary	100%
Brand Addition Limited		Promotional merchandise	Ordinary	100%
Product Plus International Limited		Non-trading	Ordinary	100%
Gearworks Limited		Non-trading	Ordinary	100%
Brand Addition Asia Limited	Unit 1605 16th Floor Tower 3 Enterprise Square No. 9 Sheung Yuet Road Kowloon, Hong Kong	Promotional merchandise	Ordinary	100%
Brand Addition Ireland Limited	Unit G2 Calmount Business Park Ballymount, Dublin 12	Promotional merchandise	Ordinary	100%

Notes to the Group financial statements
(continued)

15. Investments (continued)

Name	Registered address	Principal activity	Class of share	Percentage holding
Brand Addition Reklam Urunleri Dagitim ve Ticaret Limited Sirketi	Buyukdere Caddesi Meydan Sokak Spring Giz Plaza Kat:13 Sisli-Istanbul, Turkey	Promotional merchandise	Ordinary	100%
Brand Addition (Shanghai) Trading Co., Limited	Room 302, Qian Li Center (building T6) Baolong Plaza, No 6 311 Xinlong Road Qibao Town, Minhang District Shanghai, China	Promotional merchandise	Ordinary	100%
H.I.G. Milan Germany Bidco GmbH	Heydastrasse 13-15	Holding company	Ordinary	100%
Brand Addition GmbH	58093 Hagen, Germany	Promotional merchandise	Ordinary	100%
The Pebble Group US Bidco Inc.	909 North 20th Street	Holding company	Ordinary	100%
Gateway CDI Inc.	Saint Louis, MO 63103	Promotional merchandise	Ordinary	100%
Facilisgroup LLP	1600 S Brentwood Blvd., Ste 800, Brentwood, MO 63144	Promotional merchandise service provider	Ordinary	100%
Facilisgroup Canada Inc.	5320 Canotek Road Gloucester, ON K1J 9C1	Promotional merchandise service provider	Ordinary	100%

Other than The Pebble Group (Holdings) Limited, which is directly held by the parent, all subsidiaries are indirectly held.

16. Inventories

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Work in progress	–	104
Finished goods for resale	12,109	7,848
Total closing inventories	**12,109**	7,952

Stocks are stated after provisions for impairment of £205,000 (2019: £88,000).

There is no difference between the replacement cost of stocks and carrying value.

17. Trade and other receivables

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Amounts falling due within one year:		
Trade receivables not past due	**16,264**	18,575
Trade receivables past due	**2,254**	2,892
Provision for trade receivables	**(57)**	(45)
Trade receivables net	**18,461**	21,422
Contract assets	**675**	1,676
Other debtors	**892**	1,542
FX derivative	**22**	58
Prepayments	**938**	846
	20,988	25,544

Currency analysis

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Sterling	**3,391**	10,367
Euro	**8,728**	7,537
US Dollar	**7,387**	5,860
Chinese Renminbi	**932**	1,474
Other	**550**	306
Total trade and other receivables	**20,988**	25,544

Any fair value difference on trade and other receivables is not material. Trade and other receivables are considered past due once they have passed their contracted due date. Trade and other receivables are assessed for impairment based upon the expected credit losses model.

The Group's customer base is predominantly made up of high-quality organisations with a high credit rating. In order to manage credit risk, the Directors set limits for customers based on a combination of payment history and third-party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The maturity analysis of financial assets (which comprise trade receivables, other debtors, and contract assets) is analysed below.

	Gross £'000	Provision £'000	2020 net £'000	Gross £'000	Provision £'000	2019 net £'000
Trade receivables, other receivables and contract assets:						
– Not yet due	**17,831**	**–**	**17,831**	21,793	–	21,793
– Up to 3 months overdue	**1,778**	**–**	**1,778**	2,307	–	2,307
– 3 to 6 months past due	**347**	**–**	**347**	332	–	332
– Over 6 months past due	**129**	**(57)**	**72**	253	(45)	208
	20,085	**(57)**	**20,028**	24,685	(45)	24,640

The Group uses objective evidence as well as considering forward-looking information and the probability of default when calculating expected credit losses. The maturity of financial assets is therefore used as an indicator as to the probability of default. The maximum amount of exposure to credit risk is the total value of unprovided trade and other receivables as set out above. There are no amounts outstanding on financial assets that were written off during the reporting period and which are still subject to enforcement activity.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group uses the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. There is limited concentration of credit risk with respect to trade receivables due to the diverse and unrelated nature of the Group's customers. Accordingly, the Directors believe that no further credit provision is required in excess of the provision for impairment of receivables.

Notes to the Group financial statements
(continued)

18. Cash and cash equivalents

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Cash and cash equivalents	**7,066**	8,861

Currency analysis

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Sterling	**1,232**	1,241
Euro	**2,481**	2,623
US Dollar	**2,103**	3,545
Other	**1,250**	1,452
Total cash and cash equivalents	**7,066**	8,861

19. Non-current liabilities

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
IFRS 16 lease liability (note 21)	**7,645**	5,502
Deferred consideration	**930**	-
Total non-current liabilities	**8,575**	5,502

Deferred consideration relates to the software asset and license acquisition from a US-based developer, of which £930,000 of the total consideration is payable in 2022. Amounts payable before the end of 2021 are shown in note 20.

Borrowings are repayable as follows:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
IFRS 16 lease liability		
Between two and five years	**4,404**	2,998
In more than five years	**3,241**	2,504
Total borrowings	**7,645**	5,502

Currency analysis

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Sterling	**2,739**	3,055
Euro	**323**	24
US Dollar	**5,225**	2,124
Chinese Renminbi	**132**	-
Other	**156**	299
	8,575	5,502

IFRS 16 lease liability

See note 21 for further detail on the IFRS 16 lease liability.

20. Current liabilities

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
IFRS 16 lease liability (note 21)	**1,334**	838
Lease liabilities	**1,334**	838
Corporation tax	**–**	149
Current tax liabilities	**–**	149
Trade payables	**16,634**	16,577
Other taxation and social security	**445**	107
Other payables	**2,130**	1,096
Accruals	**5,611**	8,155
Contract liabilities	**603**	1,634
Deferred consideration	**352**	–
Trade and other payables	**25,775**	27,569
Total current liabilities	**27,109**	28,556

Revenues totalling £1,634,000 were recognised in the year ended 31 December 2020 that were included in the contract liability balance as at 31 December 2019.

Deferred consideration relates to the software asset and license acquisition, of which £352,000 of the total consideration is payable within one year. Amounts payable after the end of 2021 are shown in note 19.

Currency analysis

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Sterling	**9,877**	17,473
Euro	**10,112**	3,735
US Dollar	**6,121**	6,150
Chinese Renminbi	**625**	788
Other	**374**	410
Total current liabilities	**27,109**	28,556

The fair value of financial liabilities approximates to their carrying value due to short maturities.

21. Leases

Amounts recognised in the Consolidated statement of financial position

The Consolidated statement of financial position shows the following amounts relating to leases:

Right-of-use assets	£'000
Balance at 1 January 2019	3,897
Impact of foreign exchange translation	3
New leases recognised in the year	2,101
Disposal	(151)
Depreciation charge for the year	(889)
Balance at 31 December 2019	4,961
Impact of foreign exchange translation	(57)
New leases recognised in the year	3,853
Depreciation charge for the year	(1,164)
Balance at 31 December 2020	**7,593**

These are included within "Property, plant and equipment" in the Consolidated statement of financial position.

Notes to the Group financial statements
(continued)

21. Leases (continued)

Lease liabilities	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	**1,761**	1,044
More than one year, less than two years	**1,703**	1,305
More than two years, less than three years	**1,403**	1,070
More than three years, less than four years	**1,204**	977
More than four years, less than five years	**1,185**	933
More than five years	**3,513**	2,822
Total undiscounted lease liabilities at year end	**10,769**	8,151
Finance costs	**(1,790)**	(1,811)
Total discounted lease liabilities at year end	**8,979**	6,340
Lease liabilities included in the statement of financial position:		
Current	**1,334**	838
Non-current	**7,645**	5,502
	8,979	6,340

Amounts recognised in the Consolidated income statement

The Consolidated income statement shows the following amounts relating to leases:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Depreciation charge – leasehold property	**1,069**	782
Depreciation charge – fixtures and fittings	**51**	54
Depreciation charge – computer hardware	**44**	53
	1,164	889
Interest expense (within finance expense)	**433**	419

The above leases relate to office space, computer equipment and motor vehicles. The net book value by category is set out in note 13.

Any expense for short-term and low-value leases is not material and has not been presented.

22. Share capital

The authorised, issued and fully paid number of shares are set out below:

	Ordinary shares Number	Deferred shares Number	Total share capital £	Share premium £
Ordinary shares of 1p each:				
At 31 December 2019 and 31 December 2020	167,450,893	12,564,501	1,800,154	78,451,312

The ordinary shares have full voting, dividend and capital distribution rights, including on winding up. They are non-redeemable.

The holders of the deferred shares are not entitled to vote or participate in a dividend or other distribution. On a return of capital, the holders of the deferred shares shall be entitled to receive only the amount paid-up or credited as paid-up and shall become entitled to receive such amount only once the holders of the ordinary shares have been paid in respect of each ordinary share the amount paid-up or credited as paid-up thereon plus £250,000,000. The deferred shares are non-redeemable by the holders. The Company intends to purchase all of the deferred shares on the date of the Company's Annual General Meeting in 2021, on the basis of each of the eight holders of deferred shares receiving no more than £1 each in respect of such purchase. Accordingly, the deferred shares are excluded from the calculation of earnings per share as presented in note 11.

23. Analysis and reconciliation of net cash/(debt)

	1 January 2019 £'000	New leases £'000	Other non-cash changes	Cash flow £'000	Foreign exchange adjustments	31 December 2019 £'000
Cash at bank and in hand	8,150	–	–	920	(209)	8,861
Lease liabilities	(5,147)	(2,101)	–	770	138	(6,340)
Borrowings	(65,199)	–	(412)	64,411	1,200	–
Net cash/(debt)	(62,196)	(2,101)	(412)	66,101	1,129	2,521

	1 January 2020 £'000	**New leases £'000**	**Cash flow £'000**	**Foreign exchange adjustments**	**31 December 2020 £'000**
Cash at bank and in hand	**8,861**	**–**	**(1,366)**	**(429)**	**7,066**
Lease liabilities	**(6,340)**	**(3,853)**	**1,141**	**73**	**(8,979)**
Net cash/(debt)	**2,521**	**(3,853)**	**(225)**	**(356)**	**(1,913)**

Notes to the Group financial statements
(continued)

24. Financial risk management and financial instruments by category

The Group uses various financial instruments. These include cash, issued equity instruments and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Market risk
Market risk encompasses three types of risk, being currency risk, interest rate risk and price risk. In this instance; price risk has been ignored as it is not considered a material risk to the business. The Group's policies for managing interest rate risk are set out in the subsection entitled "Interest rate risk" below.

Currency risk
The Group contracts with certain customers and suppliers in Euros and Dollars and manages this foreign currency risk using forward foreign exchange contracts. Hedge accounting is not applied. The Group's exposure to foreign currency risk at the end of the reporting period is set out in notes 17, 18, 19 and 20.

As the Group derives an amount of its earnings from overseas operations, the Group is affected by movements in exchange rates. This would affect both the balance sheet and the income statement. For a 10% strengthening in the Sterling exchange rate, the trading operating profit would reduce by £866,000 (2019: £606,000) and the net assets would decrease by £2,131,000 (2019: £1,027,000). A 10% weakening of the Sterling against the individual functional currencies would have the equal and opposite effect on operating profit and net assets as shown above on the basis that all other variables remain constant.

Liquidity risk
The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by closely managing the cash balance.

The Group policy throughout the year has been to ensure continuity of funding. Short-term flexibility is achieved by revolving working capital facilities.

The Company is party to a Group cross-guarantee banking arrangement, which is a revolving credit facility of £10,000,000 expiring in November 2023. Interest is charged at a rate of LIBOR + 1.9%. As at year end the balance on the facility was £nil. There is also an overdraft facility of 11,000,000 RMB for Brand Addition (Shanghai) Trading Co. Limited, which is guaranteed by the Company. At year end, the balance on the facility was £nil.

Credit risk
The Group's principal financial assets are cash, trade receivables, other receivables and contract assets. Contract assets, when invoiced, are recognised in trade receivables. The credit risk associated with cash is limited, as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from the Group's trade receivables. In order to manage credit risk; the Directors set limits for customers based on a combination of payment history and third-party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The credit losses historically incurred by the Group have been negligible as referred in note 17.

Interest rate risk, including cash flow interest rate risk
The Group finances its operations through retained profits. The Group is therefore not susceptible to interest rate risk.

Sensitivity to interest rate fluctuations
As the debt was settled as part of the IPO proceeds there is minimal interest rate risk and therefore sensitivity to interest rate disclosures have not been made.

24. Financial risk management and financial instruments by category (continued)

Summary of financial assets and liabilities by category

The carrying amount of financial assets and liabilities recognised may also be categorised as follows:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Financial assets		
Financial assets measured at amortised cost		
Trade and other receivables	**19,353**	22,964
Contract assets	**675**	1,676
Cash and cash equivalents	**7,066**	8,861
	27,094	33,501
Financial assets measured at fair value through profit or loss		
FX derivative asset	**22**	58
	27,116	33,559
Financial liabilities		
Financial liabilities measured at amortised cost		
Non-current:		
Lease liabilities	**(7,645)**	(5,502)
Deferred consideration	**(930)**	-
Current:		
Lease liabilities	**(1,334)**	(838)
Trade and other payables	**(18,764)**	(17,673)
Accruals	**(5,611)**	(8,155)
Contract liabilities	**(603)**	(1,634)
Deferred consideration	**(352)**	-
	(35,239)	(33,802)
Net financial assets and liabilities	**(8,123)**	(243)
Non-financial assets and liabilities		
Plant, property and equipment	**9,102**	6,081
Goodwill	**35,802**	35,882
Other intangible assets	**18,215**	14,285
Inventory	**12,109**	7,952
Prepayments	**938**	846
Deferred tax asset	**493**	167
Deferred tax liability	**(2,637)**	(1,816)
Other taxation and social security	**(445)**	(107)
Current tax assets/(liabilities)	**829**	(149)
	74,406	63,141
Total equity	**66,283**	62,898

The maturity analysis for lease liabilities is presented in note 19. All other financial liabilities have a maturity of less than 12 months (i.e. are all current), with the exception of deferred consideration as explained in note 19.

Notes to the Group financial statements

(continued)

24. Financial risk management and financial instruments by category (continued)

Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

This is achieved through close management of working capital and regular reviews of pricing. Decisions on whether to raise funding using debt or equity are made by the Board based on the requirements of the business.

Capital for the reporting period under review is shown in the table on the previous page.

The only derivative financial instrument assets used by the Group are foreign currency forward contracts that are disclosed in the table on the previous page. These derivatives are only used for economic hedging purposes and not as speculative investments. They are classified as "held for trading" for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The gross value of foreign currency forward contracts held at the end of the reporting period was $9,150,000 and €14,447,000. The contracts mature within one to twelve months of the year end.

25. Share-based payments

In the year ended 31 December 2020 the Group operated an equity-settled share-based payment plan as described below.

The Group recognised total expenses of £13,569 in respect of equity-settled share-based payment transactions in the year ended 31 December 2020.

The Pebble Group Plc Long-Term Incentive Plan (the 'LTIP')

Certain employees of the Company, along with other Group employees, have been granted share options on 21 December 2020 under the LTIP, further details of which can be found in the Remuneration Report on page 63.

Under the LTIP, the Group has made awards over 1,252,477 conditional shares to certain Directors and employees.

The vesting of most of these awards is subject to the Group achieving certain performance targets under the LTIP, measured over a three-year period, as set out in the Remuneration Report. The options are split into two parts with the amount of Part 1 options that will vest depending on achievement of the Group's total Adjusted EPS ("AEPS") whilst Part 2 depends on absolute total shareholder return ("TSR") that will vest depending on performance of the Company's Absolute TSR:

	Proportion of award
Part 1 options - AEPS	70%
Part 2 options - TSR	30%

Details of the maximum total number of Ordinary Shares which may be issued in future periods in respect of awards outstanding at 31 December 2020 are shown below:

	Number of shares
At 1 January 2020	–
Granted in the year	1,252,477
At 31 December 2020	1,252,477

25. Share-based payments (continued)

The fair value at grant date is independently determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share based on the AIM Price Index over the past 3 years, and the risk-free interest rate for the term of the option as shown below:

	TSR condition 31 December 2020	AEPS condition 31 December 2020
Share price at grant date	**105.0p**	110.5p
Exercise price	**£nil**	£nil
Expected volatility	**17.2%**	-
Expected life	**3 years**	3 years
Expected dividend yield	**0%**	-
Risk-free interest rate	**0.53%**	-
Fair value per option	**22.28p**	110.5p

Performance conditions	2020 award 70% cumulative adjusted EPS and 30% TSR
Cumulative adjusted EPS Adjusted EPS as defined in the LTIP rules, excludes share-based payment costs, exceptional items and amortisation from acquired intangibles	Cumulative adjusted EPS for the 3 years ended 30 June 2023 Threshold (25% of maximum vesting) 13.4p Mid-range (60% of maximum vesting) 14.3p Maximum (100% of maximum vesting) 15.1p
Annualised TSR Annualised growth in total shareholder returns	Threshold 8% pa (25% maximum vesting) Mid-range 11.3% pa (60% maximum vesting) Maximum 15% pa (100% maximum vesting)

26. Related party transactions

The Directors consider there to be no ultimate controlling party following Admission in December 2019. During the current and prior year, related parties include representatives of major shareholders and parent and intermediate parent entities ultimately owned by the same shareholders. Related party balances with the Company are as follows, with key management compensation given in note 6.

From 8 May 2017 the Group and Elysian Capital LLP were related parties due to the existence of common members/directorships and because the private equity funds Elysian Capital II LP and Elysian Executive Management LP, which are managed by Elysian Capital LLP, owned a controlling interest in The Pebble Group (Holdings) Limited up to Admission in December 2019. The Group had issued loan notes with a nominal value of £7,151,380 to Elysian Capital II LP and £493,064 to Elysian Capital Executive Management. The loan notes bore interest compounded at 10% per annum. Total interest payable in the year was £nil (2019: £832,438) and the balance at year end was £nil (2019: £nil) as the balance of £2,145,115 was repaid on Admission. The Group had issued preference shares with a nominal value of £12,257,240 to Elysian Capital II LP and £845,098 to Elysian Capital Executive Management. Dividends accrued on the preference shares at a compounding rate of 10%. The total amount accrued in the year was £nil (2019: £1,404,845) and the balance at year end was £nil (2019: £nil) as the total outstanding balance of £3,654,858 was repaid on Admission.

A number of the Group's senior managers were shareholders in The Pebble Group (Holdings) Limited up to the date of Admission and of The Pebble Group plc post Admission. This includes certain Directors as set out in the Directors' Remuneration Report on page 63. The Group had issued loan notes with a nominal value of £555,316 to management. The loan notes bore interest compounded at rates between 4% and 10% per annum. Total interest payable in the year was £nil (2019: £46,256) and the balance at the year end was £nil (2019: £nil) as the total outstanding balance of £120,110 was repaid on Admission.

The Group had issued preference shares with a nominal value of £599,417 to management. Dividends accrued on the preference shares at a compounding rate of 10%. The total amount accrued in the year was £nil (2019: £64,270) and the year-end balance was £nil (2019: £nil) as the total outstanding balance of £167,206 was repaid on Admission.

The Group and Beechbrook Private Debt III SARL were related parties as Beechbrook Private Debt III SARL was a minority shareholder in The Pebble Group (Holdings) Limited until Admission.

The Group had issued loan notes with a nominal value of £481,388 to Beechbrook Private Debt III SARL. The loan notes bore interest compounded at rates between 4% and 10% per annum. Total interest payable at the year ended 31 December 2020 was £nil (2019: £43,716) and the year end balance was £nil (2019: £nil) as the total outstanding balance of £151,936 was settled on Admission.

The Group had issued preference shares with a nominal value of £609,411 to Beechbrook Private Debt III SARL. Dividends accrued on the preference shares at a compounding rate of 10%. The total amount accrued in the year was £nil (2019: £65,342) and the year-end balance was £nil (2019: £nil) as the total outstanding balance of £169,993 was settled on Admission.

Company balance sheet
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	5	**126,106**	126,106
Current assets			
Trade and other receivables (including £3,000 (2019: £nil) falling due after more than one year)	6	**60,203**	59,602
		60,203	59,602
Creditors: amounts falling due within one year	7	**(198)**	(1,975)
Net current assets		**60,005**	57,627
Total assets less current liabilities		**186,111**	183,733
Net assets		**186,111**	183,733
Capital and reserves			
Called up share capital	8	**1,800**	1,800
Share premium		**78,451**	78,451
Merger relief reserve		**713**	713
Share-based payment reserve	9	**13**	-
Retained earnings		**105,134**	102,769
Total shareholders' funds		**186,111**	183,733

The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to produce its own profit and loss account. The profit for the year dealt within the financial statements of the Company was £2,365,000 (2019: loss for the period of £766,000).

The Company financial statements on pages 110 to 115 were approved by the Board of Directors on 23 March 2021 and were signed on its behalf by:

Claire Thomson

C Thomson
Director
23 March 2021

The notes on pages 112 to 115 form part of these Company financial statements.

Company statement of changes in equity
For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
On incorporation on 27 September 2019	–	–	–	–	–	–
Loss for the period	–	–	–	–	(766)	(766)
Total comprehensive expense for the period	–	–	–	–	(766)	(766)
Transactions with owners:						
Shares issued in the period	58	–	105,236	–	–	105,294
Bonus issue of shares	104,523	–	(104,523)	–	–	–
Capital reduction	(103,535)	–	–	–	103,535	–
Issue of shares on IPO	754	78,451	–	–	–	79,205
Total transactions with owners, recognised in equity	1,800	78,451	713	–	103,535	184,499
Balance at 31 December 2019	1,800	78,451	713	–	102,769	183,733
Profit for the year	–	–	–	–	2,365	2,365
Total comprehensive income for the year	–	–	–	–	2,365	2,365
Employee share schemes – value of employee services (note 9)	–	–	–	13	–	13
Total transactions with owners, recognised in equity	–	–	–	13	–	13
Balance at 31 December 2020	**1,800**	**78,451**	**713**	**13**	**105,134**	**186,111**

The notes on pages 112 to 115 form part of these Company financial statements.

Notes to the Company financial statements

1. General information

The Pebble Group plc (the "Company") was incorporated in the United Kingdom on 27 September 2019 and is a public company limited by shares, registered and domiciled in England & Wales. The registered office of the Company is Broadway House, Trafford Wharf Road, Trafford Park, Manchester, England M17 1DD. The company registration number is 12231361. The Company's principal activity is that of a holding company.

2. Accounting policies

(a) Reporting framework

The separate financial statements of the Company have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006.

The financial information is presented in Sterling and has been rounded to the nearest thousand (£'000).

The principal accounting policies, which have been applied consistently to all the years presented, are set out below.

(b) Financial Reporting Standard 102 – reduced disclosure exemptions

The following exemptions from the requirements in FRS 102 have been applied in the preparation of these financial statements:

- the requirements of section 7 Statement of Cash Flows;
- the requirements of section 3 Financial Statement Presentation, paragraph 3.17(d);
- the requirements of section 11 Financial Instruments, paragraphs 11.41(b), 11.41(c), 11.41(e). 11.41(f), 11.42, 11.44 to 11.45, 11.48(a)(iii), 11.48(a)(iv),11.48(b) and 11.48(c);
- the requirements of section 12 Other Financial Instruments, paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.w9A; and
- the requirements of section 33 Related Party Disclosures, paragraph 33.7.

This information is included in the Group financial statements found earlier in this report.

(c) Company profit and loss account

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's profit for the year was £2,365,000 (2019: loss for the period of £766,000). There are no material differences between the profit in the current year and its historical cost equivalent. Accordingly, no note of historical cost profits and losses has been presented.

(d) Going concern

The Company meets its day-to-day working capital requirements through cash generated from the Group in which it holds its investment and utilising its overdraft facility to fund peak seasonal demands. The Directors have prepared cash flow forecasts and projections for the two years ending 31 December 2022 for the Group; see the going concern disclosure within the Group financial statements. Based on this, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Company financial statements.

(e) Dividend distribution

The distribution of a dividend to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which it is approved by the Company's shareholders.

(f) Investment in subsidiary undertakings

Investments in subsidiaries are stated at cost less accumulated impairment.

(g) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where events or transactions that result in an obligation to pay more tax in the future, or a right to pay less tax in future, have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(h) Share-based payments

Equity-settled awards are valued at the grant date, and the fair value is charged as an expense in the income statement spread over the vesting period. Fair value of the awards are measured using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model. The fair value of the options, appraised at the grant date, includes the impact of market-based vesting conditions.

Share-based remuneration is recognised as an expense in profit or loss with the credit side of the entry being recorded in equity.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

2. Accounting policies (continued)

(i) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of issue.

(j) Share premium

Share premium represents the difference between the nominal value of shares issued and the fair value of consideration received. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

(k) Merger relief reserve

The merger relief reserve included in other reserves was created during 2019 as a result of the share-for-share exchange under which The Pebble Group plc became the parent undertaking prior to the IPO. The merger relief reserve includes the premium received on the issue of share capital in the share-for-share exchange.

(l) Retained earnings

Retained earnings includes all current and prior period retained profits and losses.

All transactions with owners of the parent are recorded separately within equity.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

(n) Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

3. Critical accounting estimates and judgements

In the preparation of the Company financial statements, the Directors, in applying the accounting policies of the Company, make some judgements and estimates that affect the reported amounts in the financial statements. The following are the areas requiring the use of judgement and estimates that may significantly impact the financial statements.

Non-current asset impairment

The Directors are required to assess whether there are any indicators of impairment at each reporting date. All relevant potential indicators are considered, including the performance of the underlying trading Group and the results of the Group's impairment reviews performed as at the same date. The Directors exercise their judgement in determining whether any such indicators exist. Where an indicator of impairment is identified in relation to the Company's investments, a full impairment review is performed.

The Directors performed their assessment and concluded that no impairment indicators existed at 31 December 2020 and, as such, a full impairment review over the Company's investments in subsidiaries was not performed.

4. Remuneration of directors and auditors

Details of Directors' remuneration are shown in the Directors' Remuneration Report on page 62 of the Group financial statements. Details of auditors' remuneration are shown in note 9 of the Group financial statements. The Company has no employees (2019: none).

Notes to the Company financial statements
(continued)

5. Investments

	£'000
Cost and carrying amount	
At 31 December 2019 and 31 December 2020	**126,106**

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

The Company directly owns the whole of the issued ordinary shares of the following subsidiary undertakings:

Name	Registered address	Principal activity	Class of share	Percentage holding
The Pebble Group (Holdings) Limited Project Amber Bidco Limited H.I.G Milan UK Topco Limited H.I.G Milan UK Midco Limited H.I.G Milan UK Bidco Limited Brand Addition Limited Product Plus International Limited Gearworks Limited	Broadway Trafford Wharf Road Manchester M17 1DD	Holding company Holding company Holding company Holding company Holding company Promotional merchandise Non-trading Non-trading	Ordinary Ordinary Ordinary Ordinary Ordinary Ordinary Ordinary Ordinary	100% 100% 100% 100% 100% 100% 100% 100%
Brand Addition Asia Limited	Unit 1605 16th Floor Tower 3 Enterprise Square No. 9 Sheung Yuet Road Kowloon, Hong Kong	Promotional merchandise	Ordinary	100%
Brand Addition Ireland Limited	Unit G2 Calmount Business Park Ballymount, Dublin 12	Promotional merchandise	Ordinary	100%
Brand Addition Reklam Urunleri Dagitim ve Ticaret Limited Sirketi	Buyukdere Caddesi Meydan Sokak Spring Giz Plaza Kat:13 Sisli-Istanbul, Turkey	Promotional merchandise	Ordinary	100%
Brand Addition (Shanghai) Trading Co., Limited	Room 302, Qian Li Center (building T6) Baolong Plaza, No 6 311 Xinlong Road Qibao Town, Minhang District Shanghai, China	Promotional merchandise	Ordinary	100%
H.I.G. Milan Germany Bidco GmbH Brand Addition GmbH	Heydastrasse 13-15 58093 Hagen, Germany	Holding company Promotional merchandise	Ordinary Ordinary	100% 100%
The Pebble Group US Bidco Inc. Gateway CDI Inc.	909 North 20th Street Saint Louis, MO 63103	Holding company Promotional merchandise	Ordinary Ordinary	100% 100%
Facilisgroup LLP	1600 S Brentwood Blvd., Ste 800, Brentwood, MO 63144	Promotional merchandise service provider	Ordinary	100%
Facilisgroup Canada Inc.	5320 Canotek Road Gloucester, ON K1J 9C1	Promotional merchandise service provider	Ordinary	100%

Other than The Pebble Group (Holdings) Limited, which is directly held by the parent, all subsidiaries are indirectly held.

6. Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	**60,135**	59,568
Other debtors	**65**	34
	60,200	59,602
Amounts falling due after more than one year:		
Deferred tax asset	**3**	–
	3	–
	60,203	59,602

All of the amounts owed by Group undertakings shown above are repayable on demand.

The deferred tax asset recognised relates to share-based payments.

7. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Accruals	**198**	1,975
	198	1,975

The Company is party to a Group cross-guarantee banking arrangement, which is a revolving credit facility of £10,000,000 expiring in November 2023. Interest is charged at a rate of LIBOR + 1.9%. As at year end the facility had not been used and the balance was £nil.

8. Called up share capital

Details of movements in shares are set out in note 22 to the Group financial statements.

9. Share-based payments

Details of share-based payments are set out in note 25 to the Group financial statements.

10. Related party transactions

The Company has taken advantage of the exemption included in Section 33 of FRS 102 "Related Party Disclosures" to not disclose details of transactions with Group undertakings, on the grounds that it is the parent company of a Group whose financial statements are publicly available.

Directors' transactions

Details of the Directors' interests in the ordinary share capital of the Company are provided in the Directors' Report.

Financial calendar

Financial year end	31 December 2020
Preliminary announcement of full-year results	23 March 2021
Publication of Annual Report and financial statements	6 May 2021
Annual General Meeting	3 June 2021
Preliminary announcement of half-year results	Early September 2021
Financial year end	31 December 2021

Company information

Nominated adviser
Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

Broker
Joh. Berenberg, Gossler & Co. KG, London Branch
60 Threadneedle Street
London EC2R 8HP

Auditors
PricewaterhouseCoopers LLP
No 1 Spinningfields
Hardman Square
Manchester M3 3EB

Legal adviser
Addleshaw Goddard LLP
One St Peter's Square
Manchester M2 3DE

Registrar
Equiniti Group plc
Broadgate Tower
20 Primrose Street
London EC2A 2EW

Financial PR
Belvedere PR
25 Finsbury Circus
London EC2M 7EE

Registered office
The Pebble Group plc
Broadway House
Trafford Wharf Road
Trafford Park
Manchester
M17 1DD

Company number: 12231361

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The Pebble Group

Broadway House
Trafford Wharf Road
Trafford Park
Manchester M17 1DD