The Pebble Group

21 March 2023

The information communicated within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 which is part of UK law by virtue of the European Union (withdrawal) Act 2018. The information is disclosed in accordance with the Company's obligations under Article 17 of the UK MAR. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

THE PEBBLE GROUP PLC
("The Pebble Group", the "Group" or the "Company")

AUDITED FULL YEAR RESULTS 2022
Strong performance in 2022 and implementation of dividend policy

The Pebble Group, a leading provider of digital commerce, products and related services to the global promotional products industry, announces its audited results for the year ended 31 December 2022 ("FY 22"), which show strong growth on the prior year and are slightly ahead of market expectations.

The strong financial performance delivered in FY 22 has strengthened the Group's balance sheet. This, together with ongoing cash generation, supports our continued investment in high quality strategic opportunities, with the aim of consolidating the Group's leading position in the very large but fragmented global promotional products market. We continued to invest significantly in new product development, during the year, particularly at Facilisgroup in both its technology and sales and marketing. As a result, the Group ended the year with significantly greater capability, resilience and opportunity to scale.

Financials

Statutory results	**FY 22**	FY 21	Change
Revenue	**£134.0m**	£115.1m	+16%
Gross profit margin	**39.3%**	36.5%	+2.8ppt
Operating profit	**£10.2m**	£9.9m	+3%
Profit before tax	**£9.7m**	£9.3m	+4%
Basic profit per share	**4.55p**	4.39p	+4%

Other financial highlights	**FY 22**	FY 21	Change
Adjusted EBITDA[1]	**£18.0m**	£15.4m	+17%
Net cash[2]	**£15.1m**	£12.1m	+£3.0m
Adjusted basic earnings per share[3]	**5.78p**	5.14p	+12%

Highlights and outlook

- Strong performance with Group revenue at £134.0m (FY 21: £115.1m) 16% ahead of the prior year
- Facilisgroup: Revenue for FY 22 up 31% on prior year with total Gross Merchandise Value ("GMV"), transacted through its technology of USD1.4bn (FY 21: USD1.2bn)
- Brand Addition: Revenue for FY 22 up 15% on prior year with gross profit margin at 30.7% (FY 21: 28.6%)

- Strong balance sheet with net cash of £15.1m at 31 December 2022 ahead of market expectations
- Proposed maiden final dividend for FY 22 of 0.6 pence per share (FY 21: nil)
- The new financial year has started well and in line with the Group's expectations

[1] *Adjusted EBITDA means operating profit before depreciation, amortisation and share-based payments charge*

[2] *Net cash is calculated as cash and cash equivalents less borrowings (excluding lease liabilities)*

[3] *Adjusted basic earnings per share ("EPS") represents Adjusted Earnings meaning profit after tax before amortisation of acquired intangible assets, share-based payments charge and exceptional items divided by a weighted average number of shares*

Online investor presentation

The management team is hosting an online investor presentation with Q&A at 1.30pm on Thursday, 23 March 2023. To participate, please register with PI World at: https://bit.ly/PEBB_FY22_webinar.

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About The Pebble Group plc - www.thepebblegroup.com

The Pebble Group is a provider of digital commerce, products and related services to the global promotional products industry, comprising two differentiated businesses, Facilisgroup and Brand Addition, focused on specific areas of the promotional products market. For further information, please visit www.thepebblegroup.com.

CHAIR'S REPORT

I am pleased to report on another year of strong performance and growth for The Pebble Group in 2022 with results for the year slightly ahead of market expectations.

We continued to invest significantly in new product development, during the year, particularly at Facilisgroup in its technology and sales and marketing. As a result, the Group ended 2022 with significantly greater capability, resilience and opportunity to scale. The Group Board would like to thank our talented team, once again, for their hard work and commitment.

Strategy and Long-term Vision

The Pebble Group's central tenet continues to be that the global promotional products industry is ripe for positive disruption, driven by three principal factors:

- the requirement from users of promotional products and, in particular, from leading global brands for confidence in the sustainability, provenance and innovative design of those products;
- the opportunity to deploy leading edge technology to what is a mature market to make it operate more sustainably and efficiently; and
- the global market is very fragmented, the majority of which is served by owner managed SMEs with a high concentration in North America. As technology proliferates, SME distributors will be disadvantaged without the availability of a Digital Commerce platform like that offered by Facilisgroup which supports their efficiency and growth.

The Group is approaching this market through its two complementary but non-competing businesses, Facilisgroup and Brand Addition.

Facilisgroup

Facilisgroup is a Software as a Service (SaaS) business providing leading digital commerce technology to SME businesses in North America, which enables them to automate processes and workflow and provides ecommerce stores to their own customers, bringing material efficiency to their businesses.

The growth and profitability of Facilisgroup illustrates the efficacy of its technology with Annual Recurring Revenue (ARR) in the year of £15.5m (2021: £12.2m) and EBITDA margins of 54%

Facilisgroup continued to develop and introduce new functionality to its market leading Syncore platform, as well as build API integrations for third party software. Syncore is principally focused on those independent promotional products businesses with sales greater than USD2.0m.

In June 2022, Facilisgroup launched its new Commercio stores solution to pre-selected customers for evaluation. Commercio enables businesses to create their own digital storefronts and is complementary with Syncore. The evaluation phase for Commercio completed in December 2022 and customers are now paying for this product.

Development also continued on Facilisgroup's Orders platform, which is a digital commerce solution for smaller promotional products distributors in North America with sales between USD0.5m to USD2.0m.

The significance of these investments to Facilisgroup and its future potential is detailed in the CEO's

Report. In summary, however, Facilisgroup has taken a significant step forward to achieving its goal of providing a full service, cloud-based digital commerce platform for promotional products distributors of all sizes operating in North America.

Facilisgroup grew its total revenue in FY 22 to £16.6m (FY 21: £12.7m) and the strategy of the executive team is to continue this positive trajectory through ongoing investment in technology, sales and marketing, and the wider team.

Brand Addition

Revenue at Brand Addition increased by 15% on the prior year. The business remains focused on its core strategy to win, grow, and retain international contracts, often valued in millions of pounds per year, with many of the world's leading brands. During the year under review, Brand Addition increased its revenues through expanding and renewing its business with existing key clients, implementing new contracts won in 2021 and 2022, as well as winning a number of new contracts in the year, which will benefit 2023.

The business has a differentiated and, we believe, market leading position. As a strategic level partner with long-term contracts with global brands, it can meet both its own and its clients' increasing sustainability and ESG targets. It is also able to deploy differentiated services including technology, product design innovation, inventory control and logistics to maximise the effectiveness of its clients' promotional products strategies.

Dividend

The Pebble Group has now reached an appropriate point to begin the implementation of its dividend policy, as stated at IPO. As such, the Group Board is proposing a final dividend of 0.6 pence per share for FY22, payable in June 2023. As we look forward, our intention is for this to be a progressive dividend policy moving, in the medium-term, towards our stated position at IPO of making dividend payments of circa. 30% of profit after tax.

New trading platform

The Company is in the process of applying for its existing Ordinary Share capital to be traded in the United States on the OTC Market's OTCQX trading platform. This will provide all stakeholders in the United States with access to trade in the Company's Ordinary Shares, in USD, during U.S. market hours. The Company is not seeking a fundraising in conjunction with this process.

Environmental, Social and Governance (ESG)

The Group's ESG cornerstones and priority areas, as identified through its materiality assessment, remain high on the Group Board's agenda. We published our second ESG report in October 2022 to provide a comprehensive review of our progress, which, we believe, shows the relevant and meaningful action we are taking in areas in which we can have the most impact. In the ESG section of our 2022 Report and Accounts, we update on the environmental work which is underway to reduce our Scope 1 and Scope 2 carbon emissions, with Scope 3 in planning stages; and provide information on the steps we are taking around Diversity, Equity and Inclusion (DEI), volunteering and community work. Governance highlights in 2022, of which we are proud, include the adoption of our Framework on Conduct, Ethics and Compliance and the integration of TCFD recommendations into our ESG strategy. We believe this demonstrates how the Group Board is taking active responsibility through effective governance.

We are confident in the value of our ESG approach and will look to develop it further to ensure alignment with best practice and expectations, as ascertained through active engagement with our stakeholders.

Team

At The Pebble Group, the Group Board and the Executive Team believe that the businesses accomplishments are achieved because of its talented and diverse team. We actively and effectively engage with our people on an ongoing basis, through newsletters, surveys, and employee forums. We also furthered several initiatives to ensure continued investment in, and development of, our people and to encourage diversity and engagement.

The Group is led by a Board with a wide diversity of experience, supported by highly engaged and motivated teams across the business. It is this combination of leadership and team that we believe will enable us to continue to grow scale the business successfully and profitably.

Summary and outlook

The new financial year has started well and in line with the Group's expectations. Our significant investments in 2022 provide the opportunity for further growth during 2023 and we look forward to the year ahead with confidence.

Richard Law
Chair
21 March 2023

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

We are pleased to report the Group's results for the year ended 31 December 2022, which demonstrate a strong performance.

Group revenue increased by 16% on the prior year to £134.0m (FY 21: £115.1m) and Adjusted EBITDA increased by 17% to £18.0m (FY 21: £15.4m).

Alongside this financial progress, the Group has continued to implement its strategy for growth and gain momentum throughout what has been a volatile macro-economic backdrop since its IPO in December 2019.

People and Environmental, Social and Governance

Fostering trust and long-term relationships with our Partners, clients and suppliers is the foundation of the success of our businesses, Facilisgroup and Brand Addition. This stems from the talent and dedication of our people, many of whom have built and developed their careers in step with the progress of the Group. We are a diverse team, spread across multiple geographies and are stronger for this.

Credit for the results and progress in implementing our strategy lies with our people and I thank everyone at Facilisgroup, Brand Addition, and The Pebble Group for their support, thoughtfulness, and ability to achieve these positive outcomes.

Our ESG strategy is an embedded part of our business and we have made good progress against a wide number of topics during 2022.

Guided by best practice materials including the QCA Code as well as feedback from our teams, clients, and investors it has been important for the Group to develop our ESG initiatives in our own tone of voice. We identified our priorities in 2021 and published progress against these through our second standalone ESG report in October 2022 and further details will be included throughout our 2022 Annual Report.

We were delighted to receive the AIM Corporate Governance Award 2022, which recognises the efforts made by our businesses and demonstrate effective corporate governance, ensuring engagement with all stakeholders, the maintenance of key governance topics and effective integration of ESG responsibilities.

Our actions around ESG have a positive contribution to our Group's long-term success.

Review of The Pebble Group businesses

Facilisgroup: *providing a digital commerce platform for promotional products businesses in North America*

	FY 22	FY 21
ARR	**£15.5m**	£12.2m
Other revenue	**£1.1m**	£0.5m

Total revenue	**£16.6m**	£12.7m
Gross profit	**£16.6m**	£12.7m
Gross profit margin	**100%**	100%
Adjusted EBITDA	**£9.0m**	£7.6m
Operating profit	**£5.0m**	£5.1m

FY 22 revenue of £16.6m (FY 21: £12.7m) was 31% ahead of the prior year with Annual Recurring Revenue (ARR) in USD (Facilisgroup home currency) of USD19.0m (FY 21: USD16.7m), representing 14% growth over the prior year. This revenue all derived from our Syncore technology product and the activities behind this for FY 22 can be summarised as follows:

- Partners totalled 217 (31 December 2021: 200) with a further eight contracted and awaiting implementation;
- GMV was USD1.40bn (FY 21: USD1.15bn); and
- Spend with our Preferred Suppliers was USD0.46bn (FY 21: USD0.35bn).

These key indicators heavily influence income from Syncore and result in a very robust and predictable recurring revenue stream.

We have continued to deliver strong revenue to profit conversion with Adjusted EBITDA margins in FY 22 of 54% (FY 21: 60%), while investing in our team, including sales and marketing to support Partner retention and bringing our new technology to market.

Operating profit was £5.0m (FY 21: £5.1m), as we have invested in our ambition to scale the business. During the year, we invested further in new technology products, Commercio Stores and Orders, with a FY 22 amortisation charge of £1.1m (FY 21: £0.4m). Revenue relating to this investment is expected from FY 23.

Facilisgroup has a highly attractive business model, consistently producing strong SaaS metrics. To illustrate, at the end of FY 22:

- 20%, four-year Revenue Compound Annual Growth Rate;
- 54%, Adjusted EBITDA margin;
- 30%, Operating profit margin;
- 110%, Net Retention Rate on Syncore technology subscription to Partners;
- 96%, Partner Retention Rate; and
- 130 customers for the new technology product Commercio.

Approach to the market

Facilisgroup provides a combination of technology, supply chain services and community training and events into the USD25bn North American promotional products industry.

Our strategy is to scale the revenues of the business, through three technology products that support the entire distributor market:

- Syncore: Increasing the number of Partners using our established order workflow product focused on high quality, growing SME distributors in North America with sales of greater than USD2m. We estimate there is a total addressable market of circa 1,600 businesses for our Syncore product;

- Commercio: Built specifically to support the needs of the promotional products industry, Commercio allows distributors of all sizes to create online stores for their customers that can either stand alone or integrate into our order workflow technology. Commercio was launched in June 2022 and customer uptake is growing. At 31 December 2022, there was a total of 130 Commercio customers made up from existing Syncore Partners and new customers, purchasing a Facilisgroup product for the first time. Our revenue model is to charge a small monthly fee per customer together with a monthly fee per store hosted. We continue to develop the functionality for Commercio and, each month, learn more about the track record of customer conversion, retention and store numbers. This is key to understanding how this will influence revenues through 2023. We estimate there is a total addressable market of circa 20,000 businesses for our Commercio product; and
- Orders platform: our order workflow product for the many thousands of smaller distributors with less than USD2m sales is in development. Our expectation is to launch this product in late 2023.

The team at Facilisgroup has undergone much change in the last three years whilst growing Syncore and bringing Commercio and Orders to the market. As we enter the sales phase of this investment, we are excited about the potential of the business.

Our goals in 2023 are to:

- continue to develop Syncore to maintain high Partner retention levels and accelerate Partner attraction;
- make progress in establishing Commercio as a marketing leading product in ecommerce for the promotional products industry in North America; and
- launch our order workflow product Orders for distributors with sales of less than USD2m.

Brand Addition: *providing promotional products and related services under contract to many of the world's most recognisable brands*

	FY 22	FY 21
Revenue	**£117.4m**	£102.4m
Gross profit	**£36.1m**	£29.3m
Gross profit margin	**30.7%**	28.6%
Adjusted EBITDA	**£11.5m**	£9.9m
Operating profit	**£8.0m**	£7.1m

FY 22 revenue of £117.4m (FY 21: £102.4m) was 15% ahead of the prior year and 20% ahead FY 19, the last pre-Covid-19 results, of £97.9m.

Through its disciplined approach to only focus upon large corporates, under contract, Brand Addition has built close, long-term client and supplier relationships. Brand Addition works collaboratively with its clients to design creative and impactful products and product ranges, hosts client-branded ecommerce platforms, and provide international sourcing and distribution solutions.

The revenue increase in the year has resulted from continuing high client retention, a full year contribution from new clients won in 2021, new clients won in 2022 and further recovery from those clients that had not yet returned to pre-COVID-19 levels. In parallel to this revenue increase, the business grew its gross margins to 30.7% (FY 21: 28.6%) demonstrating its ability to retain gross margins at its long-term average of circa 30%.

This led to Adjusted EBITDA of £11.5m (FY 21: £9.9m) being 16% ahead of prior year.

The depth of experience of the team has proven invaluable over the last three years. The business has successfully grown despite the demand challenges of 2020 and global supply chain disruption in 2021 and 2022, including raw material price increases, freight rate increases, Brexit and inflation. We believe this performance demonstrates the inherent strength of its approach to the market, its established relationships and expertise, and the business's ability to continue to advance.

Approach to the market

There is a large addressable market for the specialist services offered by Brand Addition. Large corporates, use promotional products to engage with their employees, customers, and wider stakeholders. This includes Consumer Promotions to support businesses in driving their own sales volumes and Corporate Programmes to support businesses employee engagement and brand building activities.

Large corporates outsource these categories of marketing spend, under contract, because they wish to have control over:

- thoughtful and creative bespoke products to carry their brand and engage their stakeholders;
- product quality and supply chain assurances to protect their brand integrity; and
- a consistent international strategy.

Brand Addition is an established business with a reputation for delivering these large and complex services under long-term agreements. With strong client retention rates, it has a proven its ability to grow consistently over the course of economic cycles. The business has a four-year revenue CAGR of 6%, despite the major disruption caused by the COVID-19 pandemic, and its gross margins remain strong.

Brand Addition has a target list of c.800 global opportunities within this addressable market with currently 70 clients comprising 95% of FY 22 revenue of £117.4m.

Our goals in 2023 are to:

- retain major client contracts together with the successful implementation of contracts won in 2022;
- attract new contracts with major international brands through our credentials in ESG, technology and creativity; and
- maintain our gross margins at the long-term target of 30% (FY 22: 30.7%).

Outlook

In Facilisgroup and Brand Addition we have two differentiated and focused businesses with large addressable markets. We remain disciplined in our growth strategies and positive in the belief of achieving our aspirational goals.

Chris Lee
Chief Executive Officer
21 March 2023

CHIEF FINANCIAL OFFICER'S REVIEW

Overview

FY 22 was another year of growth for the Group with both of its businesses trading strongly as we continued to execute on our stated strategy. Group revenue of £134.0m (FY 21: £115.1m) was 16% ahead of FY 21 and Adjusted EBITDA of £18.0m (FY 21: £15.4m) was 17% ahead. Operating profit was £10.2m (FY 21: £9.9m). The Group Board is pleased to announce the implementation of its dividend policy and is proposing a final dividend of 0.6 pence per share for FY 22, payable in June 2023.

The Group's balance sheet remains strong and its liquidity position continues to be robust with cash balances of £6.8m at 20 March 2023 and no amounts drawn down on the Company's £10m committed revolving credit facility.

	2022	2021
	£'m	£'m
Revenue	**134.0**	115.1
Gross profit	**52.7**	42.0
Gross profit margin	**39.3%**	*36.5%*
Adjusted EBITDA	**18.0**	15.4
Depreciation and amortisation	**(6.5)**	(4.8)
Share-based payment charge	**(1.3)**	(0.7)
Operating profit	**10.2**	9.9
Net finance costs	**(0.5)**	(0.6)
Profit before tax	**9.7**	9.3
Tax	**(2.1)**	(2.0)
Profit for the year	**7.6**	7.3
Weighted average number of shares	**167,450,893**	167,450,893
Adjusted EPS	**5.78p**	5.14p
Basic EPS	**4.55p**	4.39p

Revenue

Group revenue for FY 22 was £134.0m (FY 21: £115.1m), growth of 16%. Facilisgroup total revenue was £16.6m (FY 21: £12.7m). This represents an increase of 31% in GBP and 17% in Facilisgroup's home currency of USD. ARR from Partner subscriptions for our technology and supplier contributions made up £3.3m of this increase. The growth being a combination of incremental partner numbers and additional contributions from suppliers as both the volume and proportion of spend with Preferred Suppliers increased. Revenue in Brand Addition was £117.4m (FY 21: £102.4m) an increase of £15.0m. £6.8m of this increase comes from the growth in existing customers as working patterns stabilised compared with the disrupted years of 2020 and 2021. A further £8.2m of revenue growth was delivered by new client contracts won in FY 21 and FY 22.

Gross profit

Gross profit as a percentage of revenue increased during the year by 2.8 p.p.t to 39.3%. Of the total increase, 2.2 p.p.t relates the improvement in gross margins at Brand Addition as the business returned to its long-term target of ~30% as it did not suffer the increased costs associated with Brexit, freight rate pricing and freight capacity challenges that impacted the first half of FY 21. The balance of improvement reflects the increasing proportion of Facilisgroup as part of overall Group sales. This improvement is expected to continue as Facilisgroup scales.

Adjusted EBITDA

Adjusted EBITDA for FY 22 was £18.0m (FY 21: £15.4m). The increase of £2.6m in FY 22 is made up as follows:

- Facilisgroup; £1.4m increase as incremental revenues were delivered at excellent EBITDA returns of 54% demonstrating the business' ability to retain strong margins and scale revenue.
- Brand Addition; £1.5m increase being the incremental profit from sales and margin growth less increased costs of additional headcount to support growth.
- Central costs; £0.3m cost increase in the year, £0.1m from salary increases and growth in the team, the balance being incremental travel and advisors' fees.

Depreciation and amortisation

The total charge in the year was £6.5m (FY 21: £4.8m), of which £4.2m (FY 21: £2.8m) 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 primarily a result of the Group's stated decision to increase capital expenditure in its proprietary technology at Facilisgroup.

Share based payments

The total charge for the year under IFRS 2 "Share-based payments" was £1.3m (FY 21: £0.7m). This charge related to the 2020, 2021 and 2022 awards made under the 2019 Long Term Incentive Plan and Save As You Earn "SAYE" scheme. The increase over FY 21 arises as we have three awards and the 2021 SAYE in issue for the first time. The charge for the year is now in line with the expected ongoing run rate.

Operating profit

Operating profit for the year was £10.2m (FY 21: £9.9m) after charging incremental depreciation and amortisation of £1.7m. On prior year, the Group did not benefit from any material income in FY 22 for this investment. There is also an additional charge under IFRS 2 "share based payments", as noted above.

Finance costs

Net costs of £0.5m in the year (FY 21: £0.6m) include interest on the utilisation of the Group's committed RCF facility during the year of £0.1m (FY 21: £0.2m) and interest costs on leases capitalised in accordance with IFRS 16 of £0.4m (FY 21: £0.4m).

Taxation

The total taxation charge was £2.1m (FY 21: £2.0m) giving rise to an effective rate of tax of 21.6% (FY 21: 21.5%). The effective rate of tax was higher than the UK standard rate of taxation as the proportion of profit earned by the Group in overseas jurisdictions where corporation tax rates are higher than those in the UK increased during the year. The Group is subject to taxes in the UK, Ireland, Germany, Turkey, USA, Canada, China and Hong Kong.

Earnings per share

The earnings per share analysis in note 6 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 £9.7m (FY 21: £8.6m) an increase in adjusted basic earnings per share of 0.64 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 4.55 pence per share (FY 21: 4.39 pence per share) an increase of 0.16 pence per share.

Dividends

The Group Board has considered its position on dividend payments and concluded that the Group has reached an appropriate point to begin to implement a progressive dividend policy. In doing so, it is planned that the Group will move, in the medium-term, towards its stated position at IPO of making dividend payments of c.30% of profit after tax. As such, the Group Board is proposing the payment of a final dividend of 0.6 pence per share for FY 22, a distribution totalling £1.0m. This will be paid on 2 June 2023, subject to shareholder approval, to those Shareholders on the register of members on 28 April 2023. The shares will trade ex-dividend on 27 April 2023.

Cash flow

The Group had a cash balance of £15.1m at 31 December 2022 (FY 21: £12.1m).

Cash flow for the year is set out below.

	2022 £'m	2021 £'m
Adjusted EBITDA	**18.0**	15.4
Movement in working capital	**(3.4)**	(2.8)
Capital expenditure	**(8.4)**	(5.3)
Leases	**(1.7)**	(1.4)
Adjusted operating cash flow	**4.5**	5.9
Tax paid	**(1.7)**	(0.5)
Net finance cash flows	**(0.5)**	(0.6)
Exchange gain	**0.7**	0.2
Net cash flow	**3.0**	5.0

Adjusted operating cash flow

Adjusted operating cash flow before tax payments and net finance costs reduced by £1.4m in the year to £4.5m. The reduction is after £2.8m incremental capital expenditure in the Facilisgroup technology stack as we invest in our technology to deliver our strategic objectives for this business. In addition, there is some investment in working capital to support continued sales growth at Brand Addition. This remains an important metric for the Group and is monitored consistently to ensure underlying cash flow remains sufficiently strong to underpin the short-term additional investment required to deliver the Group's ambitious plans for growth.

Balance Sheet and shareholders' funds

Net assets increased in the year by £11.3m, the balance sheet is summarised below:

	2022 **£'m**	2021 £'m
Non-current assets	**69.8**	63.9
Working capital	**13.7**	9.5
Cash	**15.1**	12.1
Lease liabilities	**(9.1)**	(7.8)
Other net liabilities	**(3.9)**	(3.1)
Net assets	**85.6**	74.6

Non-current assets

Non-current assets are the most significant balance sheet category and comprise the following:

	2022 **£'m**	2021 £'m
Goodwill	**36.1**	35.8
Customer relationships	**9.0**	8.6
Software development costs	**14.9**	11.3
Property, Plant & Equipment	**9.5**	7.9
Deferred Tax assets	**0.3**	0.3
Non-current assets	**69.8**	63.9

Amounts classified as goodwill and customer relationships relate to historic acquisitions made by the Group. Software development costs, which include £5.1m investment in the year into Facilisgroup technology products arise from ongoing investment into Group proprietary software and in particular investment into the Facilisgroup technology stack to ensure that existing technology remains market leading and differentiated from our competitors alongside the development of new products that will deliver our medium-term growth plans. 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 continues to accelerate investment into its digital commerce platform for Facilisgroup, we expect this level of investment to continue in the short term. Property, Plant and Equipment primarily comprises the costs of Right of Use assets capitalised in accordance with IFRS 16 "Leases".

Working capital

Working capital of £13.7m is £4.2m higher than FY 21. The majority of the increase is due to Brand Addition and specifically inventory where there has been investment to support new business implemented during the year and inventory held at year end for customer specific promotions delivering in Q1 FY 23.

Lease liabilities

Lease liabilities of £9.1m (2021: £7.8m) relate to Group properties capitalised in accordance with IFRS 16. The increase in the year arose as the Group consolidated its European warehousing at a larger facility in Germany.

Other net liabilities

Other net liabilities of £3.9m (FY 21: £3.1m) are net tax liabilities of which £2.9m (FY 21: £3.0m) is deferred tax in respect of the intangible assets of Facilisgroup. £1.7m (FY 21: £1.6m) relates to acquired customer relationships. The balance and increase in the year arising as a result of investments into technology products. These liabilities will reverse over the period that the assets are amortised.

Alternative Performance Measures "APM's"

Throughout the Annual Report and related statements the Group has used a number of APM's as key performance indicators in addition to those reported under IFRS. These are used to provide additional clarity to the Group's underlying financial performance and are used internally by management to monitor business performance, in its budgeting and forecasting and also for determination of Directors' and senior management remuneration. These APM's 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. They have been consistently applied in all years presented.

The following are key non-GAAP measures identified by the Group and used in the Strategic Review and Financial Statements. Where these are not reconciled to GAAP measures elsewhere in the Annual Report, a reconciliation is provided below.

Adjusted EBITDA which means operating profit before depreciation, amortisation, share-based payments charge and exceptional items. The reconciliation is disclosed in the consolidated income statement.

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

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

Adjusted Earnings which means profit after tax before amortisation of acquired intangible assets, share-based payments charge and exceptional items. Refer to note 10 for reconciliation.

Adjusted earnings per share which means Adjusted Earnings divided by a weighted average number of shares in issue. Refer to note 6 for reconciliation.

Adjusted operating cash flow which is calculated as Adjusted EBITDA less movements in working capital, capital expenditure and lease payments. See previous page for reconciliation.

	2022	2021
	£'000	£'000
Operating profit	**10,223**	9,866
Add back:		
Amortisation charge on acquired intangible assets	1,420	894
Share-based payment charge	1,253	715
Adjusted operating profit	**12,896**	11,475

	2022	2021
	£'m	£'m
Profit before tax	9,703	9,317
Add back:		
Amortisation charge on acquired intangible assets	1,420	894
Share-based payment charge	1,253	715
Adjusted profit before tax	**12,376**	10,926

Claire Thomson
Chief Financial Officer
21 March 2023

Consolidated income statement

For the year ended 31 December 2022

	Note	2022	2021
		£'000	£'000
Revenue	4	134,025	115,101
Cost of goods sold		(81,279)	(73,128)
Gross profit		**52,746**	**41,973**
Operating expenses		(42,523)	(32,107)
Operating profit		**10,223**	**9,866**
Analysed as:			
Adjusted EBITDA[1]		18,042	15,378
Depreciation	8	(2,384)	(1,986)
Amortisation	7	(4,182)	(2,811)
Share-based payment charge	10	(1,253)	(715)
Total operating profit		**10,223**	**9,866**
Finance expense		(520)	(549)
Profit before taxation		**9,703**	**9,317**
Income tax expense	5	(2,090)	(1,970)
Profit for the year		**7,613**	**7,347**
Basic earnings per share	6	**4.55p**	**4.39p**
Diluted earnings per share	6	**4.54p**	**4.38p**

Note 1: Adjusted EBITDA, which is defined as operating profit before depreciation, amortisation, exceptional items, and share-based payment 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 2022

	2022	2021
	£'000	£'000
Items that may be subsequently reclassified to profit and loss		
Foreign operations – foreign currency translation differences	2,190	277
Other comprehensive income for the year	**2,190**	**277**
Profit for the year	7,613	7,347
Total comprehensive income for the year	**9,803**	**7,624**

Consolidated statement of financial position

As at 31 December 2022

	Note	2022	2021
		£'000	£'000
ASSETS			
Non-current assets			
Intangible assets	7	60,002	55,674
Property, plant and equipment	8	9,492	7,927
Deferred tax asset		292	300
Total non-current assets		**69,786**	**63,901**
Current assets			
Inventories		15,447	10,093
Trade and other receivables		34,693	29,422
Cash and cash equivalents		15,058	12,051
Total current assets		**65,198**	**51,566**
TOTAL ASSETS		**134,984**	**115,467**
LIABILITIES			
Non-current liabilities			
Lease liability	9	7,490	6,388
Deferred tax liability		2,860	3,035
Total non-current liabilities		**10,350**	**9,423**
Current liabilities			
Lease liability	9	1,569	1,384
Trade and other payables		36,413	30,065
Current tax liability		1,063	20
Total current liabilities		**39,045**	**31,469**
TOTAL LIABILITIES		**49,395**	**40,892**
NET ASSETS		**85,589**	**74,575**
Equity and reserves			
Share capital		1,675	1,675
Share premium		78,451	78,451
Capital reserve		125	125
Merger reserve		(103,581)	(103,581)
Translation reserve		863	(1,327)
Share-based payments reserve		1,892	681
Retained earnings		106,164	98,551
TOTAL EQUITY		**85,589**	**74,575**

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Share capital	Share premium	Capital reserve	Merger reserve	Translation reserve	Share-based payments reserve	Retained earnings	**Total equity**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
At 1 January 2021	**1,800**	**78,451**	**-**	**(103,581)**	**(1,604)**	**13**	**91,204**	**66,283**
Profit for the year	-	-	-	-	-	-	7,347	**7,347**
Other comprehensive income for the year	-	-	-	-	277	-	-	**277**
Total comprehensive income	**-**	**-**	**-**	**-**	**277**	**-**	**7,347**	**7,624**
Purchase of deferred shares	(125)	-	125	-	-	-	-	**-**
Employee share schemes – value of employee services (note 10)	-	-	-	-	-	601	-	**601**
Deferred tax on employee share schemes	-	-	-	-	-	67	-	**67**
Total transactions with owners recognised in equity	**(125)**	-	125	-	-	668	-	668
At 31 December 2021	**1,675**	**78,451**	**125**	**(103,581)**	**(1,327)**	**681**	**98,551**	**74,575**
Profit for the year	-	-	-	-	-	-	7,613	**7,613**
Other comprehensive income for the year	-	-	-	-	2,190	-	-	**2,190**
Total comprehensive income	**-**	**-**	**-**	**-**	**2,190**	**-**	**7,613**	**9,803**
Employee share schemes – value of employee services (note 10)	-	-	-	-	-	1,196	-	**1,196**
Deferred tax on employee share schemes	-	-	-	-	-	15	-	**15**
Total transactions with owners recognised in equity	**-**	**-**	**-**	**-**	**-**	**1,211**	**-**	**1,211**
At 31 December 2022	**1,675**	**78,451**	**125**	**(103,581)**	**863**	**1,892**	**106,164**	**85,589**

Consolidated cash flow statement

For the year ended 31 December 2022

	Note	2022	2021
		£'000	£'000
Operating profit		10,223	9,866
Adjustments for:			
- Depreciation	8	2,384	1,986
- Amortisation	7	4,182	2,811
- Share-based payment charge	10	1,253	715
- Loss/(profit) on disposal of fixed assets		19	(13)
Cash flows from operating activities before changes in working capital		**18,061**	**15,365**
- Change in inventories		(5,354)	2,016
- Change in trade and other receivables		(5,271)	(8,433)
- Change in trade and other payables		7,263	3,556
Cash flows from operating activities		**14,699**	**12,504**
- Income taxes paid		(1,712)	(521)
Net cash flows from operating activities		**12,987**	**11,983**
Cash flows from investing activities			
- Purchase of property, plant and equipment	8	(945)	(680)
- Purchase of intangible assets	7	(7,434)	(4,602)
Net cash flows used in investing activities		**(8,379)**	**(5,282)**
Cash flows from financing activities			
- Lease payments		(1,737)	(1,360)
- Interest paid		(520)	(549)
Net cash flows used in financing activities		**(2,257)**	**(1,909)**
NET CASH FLOWS		**2,351**	**4,792**
Cash and cash equivalents at beginning of year		12,051	7,066
Effect of exchange rate fluctuations on cash held		656	193
Cash and cash equivalents at end of year		**15,058**	**12,051**

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 digital commerce, products and related services 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 digital commerce, 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 UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. 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. The Group refinanced its £10m RCF in January 2023 for a three-year period to January 2026, with the option to extend for an additional year to January 2027. 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 2024.

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, which are based on interest cover and net leverage, 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 these financial statements 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 its annual reporting period commencing 1 January 2022:

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient; and
- Narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

The amendments listed above do not have any impact on the amounts recognised in prior periods and are not expected to significantly affect 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 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group 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.

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 digital commerce 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 goods and services to its customers as described below. Variable consideration, in the form of rebates, is recognised at a point in time.

Facilisgroup provision of digital commerce, 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.

Revenue earned from Preferred Suppliers is recognised over time on a monthly basis in line with orders placed by Partners with these suppliers. Payments are received bi-annually.

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 trade receivables 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.

(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 operating profit before depreciation and amortisation. Exceptional items and share-based payment charge 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.

(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.

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) 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 7.

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.

(j) 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.

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 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.

(k) 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.

(l) 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Depreciation is calculated using straight-line method 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:

- Fixtures and fittings – 3 - 15 years;
- Computer hardware – 5 years.

(m) 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.

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, and adjusted where necessary for the specific terms of the lease.

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 8.

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.

(n) 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 digital commerce, 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 Executive Directors, who have been identified as the Chief Operating Decision Maker.

(o) Employee benefits

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

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.

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 statement of financial position. The assets of the plans are held separately from the Group in independently administered funds.

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 if applicable.

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.

(p) 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.

Capital reserve

The capital reserve was created in 2021 as a result of the purchase by the Company of all deferred shares in issue.

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.

Translation reserve

The translation reserve includes foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities.

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.

Dividends

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 (2021: £nil). The Directors recommend the payment of a final dividend for 2022 of £1.0m (2021: £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 on the following page. 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. As part of these calculations, we have considered various sensitivities, explained in note 7. A 1% increase in the Weighted Average Cost of Capital ("WACC") would reduce the value in use by £25.7m.

Goodwill relates to the various acquisitions made and amounts to £36,139,000 as at 31 December 2022 (2021: £35,805,000). The estimates used in the impairment calculation are set out in note 7. There is no significant risk of material adjustment to the carrying amount of the goodwill within the next twelve months. The sensitivities applied are explained in note 7.

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. There is no significant risk of material adjustment to the carrying amount of the intangible assets within the next twelve months. No reasonable sensitivity performed in relation to the useful economic lives assumption would result in a material change in the carrying value of intangible assets.

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. There is no significant risk of material adjustment to the carrying amount of the property, plant and equipment within the next twelve months.

The useful economic lives applied are set out in the accounting policies and are reviewed annually. No reasonable sensitivity performed in relation to the useful economic lives assumption would result in a material change in the carrying value of property, plant and equipment.

Share-based payment charge

Fair values used in calculating the amount to be expensed as a share-based payment is subject to a level of uncertainty. These fair values are calculated by applying a valuation model, which is in itself judgmental, and takes into account certain inherently uncertain assumptions. The basic assumptions that are used in the calculations are explained further in note 10. No reasonable sensitivity performed in relation to the share-based payment assumptions would result in a material change to the expense in the consolidated income statement.

(b) Accounting judgements

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 at what point amortisation should commence, in addition to whether there are any indicators that capitalised costs may be impaired.

Capitalised development expenditure is analysed further in note 7.

4. SEGMENTAL ANALYSIS

The Chief Operating Decision Maker ("CODM") has been identified as the Executive Directors. The Directors have determined that the operating segments, based on these financial statements, are:

- Brand Addition - sale of promotional product through complex services provided under framework contracts on an international basis;
- Facilisgroup - provision of digital commerce, consolidated buying power and community learning and networking events to SME promotional product distributors in North America through subscription-based services; and
- Central operations – certain central activities and costs that are not directly related to the activities of the operating segments.

Segment information about the above businesses is presented on the following page.

The Executive Directors assess the performance of the operating segments based on Adjusted EBITDA. Other information provided to the Directors 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.

Major customers

In 2022 there were no major customers that individually accounted for at least 10% of total revenues (2021: two customers). In 2021, the revenues relating to these customers were £33,215,000 and both related to the Brand Addition segment.

Analysis of revenue by geographical destination

	2022	2021
	£'000	£'000
United Kingdom	22,570	26,961
Continental Europe	47,236	38,914
US	43,189	31,675
Rest of World	21,030	17,551
Total revenue	**134,025**	**115,101**

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

Included within Rest of World is £14,247,000 of revenue from China (2021: £11,638,000).

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

	2022	2021
	£'000	£'000
At a point in time	118,507	102,916
Over time	15,518	12,185
Total revenue	**134,025**	**115,101**

All non-current assets of the Group reside in the UK, with the exception of non-current assets with a net book value of £31,250,000 (2021: £27,111,000) which were located in North America and £2,451,000 (2021: £711,000) located in other foreign countries.

Income statement for the year ended 31 December 2022

	Brand Addition	Facilisgroup	Central operations	2022
	£'000	£'000	£'000	£'000
Revenue	117,391	16,634	-	134,025
Cost of goods sold	(81,279)	-	-	(81,279)
Gross profit	**36,112**	**16,634**	**-**	**52,746**
Operating expenses	(28,155)	(11,624)	(2,744)	(42,523)
Operating profit/(loss)	**7,957**	**5,010**	**(2,744)**	**10,223**
Analysed as:				
Adjusted EBITDA	11,467	9,011	(2,436)	18,042
Depreciation	(1,719)	(626)	(39)	(2,384)

Amortisation	(1,232)	(2,950)	-	(4,182)
Share-based payment charge	(559)	(425)	(269)	(1,253)
Total operating profit/(loss)	**7,957**	**5,010**	**(2,744)**	**10,223**
Finance expense	(388)	(13)	(119)	(520)
Profit/(loss) before taxation	**7,569**	**4,997**	**(2,863)**	**9,703**
Income tax (expense)/income	(1,495)	(689)	94	(2,090)
Profit/(loss) for the year	**6,074**	**4,308**	**(2,769)**	**7,613**

Statement of financial position as at 31 December 2022

	Brand Addition	Facilisgroup	Central operations	2022
	£'000	£'000	£'000	£'000
ASSETS				
Non-current assets				
Intangible assets	37,863	22,139	-	60,002
Property, plant and equipment	6,449	3,004	39	9,492
Deferred tax asset	137	-	155	292
Total non-current assets	**44,449**	**25,143**	**194**	**69,786**
Current assets				
Inventories	15,447	-	-	15,447
Trade and other receivables	29,989	4,648	56	34,693
Cash and cash equivalents	12,655	2,265	138	15,058
Total current assets	**58,091**	**6,913**	**194**	**65,198**
TOTAL ASSETS	**102,540**	**32,056**	**388**	**134,984**
LIABILITIES				
Non-current liabilities				
Lease liability	5,148	2,315	27	7,490
Deferred tax liability	-	2,860	-	2,860
Total non-current liabilities	**5,148**	**5,175**	**27**	**10,350**
Current liabilities				
Lease liability	1,221	303	45	1,569
Trade and other payables	33,543	2,075	795	36,413
Current tax liability	258	805	-	1,063
Total current liabilities	**35,022**	**3,183**	**840**	**39,045**
TOTAL LIABILITIES	**40,170**	**8,358**	**867**	**49,395**
NET ASSETS/(LIABILITIES)	**62,370**	**23,698**	**(479)**	**85,589**

Income statement for the year ended 31 December 2021

	Brand Addition	Facilisgroup	Central operations	2021
	£'000	£'000	£'000	£'000
Revenue	102,383	12,718	-	115,101
Cost of goods sold	(73,128)	-	-	(73,128)
Gross profit	**29,255**	**12,718**	**-**	**41,973**
Operating expenses	(22,133)	(7,577)	(2,397)	(32,107)
Operating profit/(loss)	**7,122**	**5,141**	**(2,397)**	**9,866**

Analysed as:				
Adjusted EBITDA	9,932	7,581	(2,135)	15,378
Depreciation	(1,410)	(533)	(43)	(1,986)
Amortisation	(1,136)	(1,675)	-	(2,811)
Share-based payment charge	(264)	(232)	(219)	(715)
Total operating profit/(loss)	**7,122**	**5,141**	**(2,397)**	**9,866**
Finance expense	(378)	(26)	(145)	(549)
Profit/(loss) before taxation	**6,744**	**5,115**	**(2,542)**	**9,317**
Income tax (expense)/income	(865)	(1,131)	26	(1,970)
Profit/(loss) for the year	**5,879**	**3,984**	**(2,516)**	**7,347**

Statement of financial position as at 31 December 2021

	Brand Addition	Facilisgroup	Central operations	2021
	£'000	£'000	£'000	£'000
ASSETS				
Non-current assets				
Intangible assets	37,728	17,946	-	55,674
Property, plant and equipment	4,766	3,083	78	7,927
Deferred tax asset	146	58	96	300
Total non-current assets	**42,640**	**21,087**	**174**	**63,901**
Current assets				
Inventories	10,093	-	-	10,093
Trade and other receivables	25,415	3,930	77	29,422
Cash and cash equivalents	10,335	1,230	486	12,051
Total current assets	**45,843**	**5,160**	**563**	**51,566**
TOTAL ASSETS	**88,483**	**26,247**	**737**	**115,467**
LIABILITIES				
Non-current liabilities				
Lease liability	4,018	2,349	21	6,388
Deferred tax liability	-	3,035	-	3,035
Total non-current liabilities	**4,018**	**5,384**	**21**	**9,423**
Current liabilities				
Lease liability	985	328	71	1,384
Trade and other payables	26,500	2,752	813	30,065
Current tax liability/(asset)	28	36	(44)	20
Total current liabilities	**27,513**	**3,116**	**840**	**31,469**
TOTAL LIABILITIES	**31,531**	**8,500**	**861**	**40,892**
NET ASSETS/(LIABILITIES)	**56,952**	**17,747**	**(124)**	**74,575**

5. INCOME TAX EXPENSE

	2022	2021
	£'000	£'000
Current income tax		
- UK corporation tax charge for the year	901	217
- Adjustments in respect of prior years	(159)	(40)
- Foreign tax	1,822	1,173
Total current income tax	**2,564**	**1,350**
Deferred tax		
- Deferred tax	(426)	755
- Adjustments in respect of prior years	(48)	(173)
- Impact of rate change	-	38
Total deferred tax	**(474)**	**620**
Total income tax expense	**2,090**	**1,970**

The expected corporation tax charge for the year is calculated at the UK corporation tax rate of 19% (2021: 19%) on the profit before tax for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions in which the Group operates.

The charge for the year can be reconciled to the profit in the consolidated income statement as follows:

Analysis of charge in year	2022	2021
	£'000	£'000
Reconciliation of total tax charge:		
Profit before taxes	9,703	9,317
Profit before taxes multiplied by the rate of corporation tax in the UK of 19% (2021: 19%)	**1,844**	**1,770**
Effects of:		
Adjustments in respect of prior years	(207)	(213)
Impact of difference in current and deferred tax rates in the UK	13	38
Non-deductible expenses/(income)	32	(24)
Differences in tax rates in overseas jurisdictions	286	382
Unrecognised for deferred tax	122	32
Utilisation of unrecognised deferred tax brought forward	-	(15)
Total income tax expense	**2,090**	**1,970**

Factors that may affect future tax charges

An increase in the UK corporation tax rate from the current rate of 19% to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021. The impact of this rate change has been considered when recognising the deferred tax in relation to the UK companies in the Group. Where the asset or liability is expected to unwind after 1 April 2023 the deferred tax has been recognised at 25%.

Amounts recognised directly in equity

Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited to equity:

	2022	2021
	£'000	£'000
Deferred tax: credit relating to employee share schemes – value of employee services	15	67

6. EARNINGS PER SHARE

Basic 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.

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary Shares. The Company has potentially dilutive Ordinary Shares arising from share options granted to employees. Options are dilutive under the Group Sharesave Plan (SAYE), where the exercise price together with the future IFRS 2 charge of the option is less than the average market price of the Company's Ordinary Shares during the year. Options under the LTIP schemes, as defined by IFRS 2, are contingently issuable shares and are therefore only included within the calculation of diluted EPS if the performance conditions, as set out in note 10, are satisfied at the end of the reporting period, irrespective of whether this is the end of the vesting period or not.

Until 3 June 2021, the Company had 12,564,501 non-redeemable deferred shares of £0.01 in issue with no voting, dividend or other distribution rights. The stated intention from their creation upon Admission was that they would be purchased in their entirety by the Company. As no rights of conversion nor pre-arranged formula to convert deferred shares into Ordinary Shares were included in the Articles of Association, they have never been considered 'convertible securities'. Accordingly, deferred shares have not been included in the calculation of diluted earnings per share. The off-market buy-back of the deferred shares completed on 3 June 2021 when the deferred shares were immediately cancelled.

The impact of the potentially dilutive share options issued under The Pebble Group Plc Long Term Incentive Plan on 21 December 2020, 8 June 2021, and 30 March 2022 and Group Sharesave Plan (SAYE) on 6 October 2021 as detailed in note 10 is 0.01p for the year ended 31 December 2022 (2021: 0.01p).

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

Statutory EPS

	2022	2021
Earnings (£'000)		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	7,613	7,347
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	167,450,893	167,450,893
Weighted average dilutive effects of conditional share awards	185,624	353,605
Weighted average number of shares for the purposes of diluted earnings per share	167,636,517	167,804,498
Earnings per Ordinary Share (pence)		
Basic earnings per Ordinary Share (pence)	4.55	4.39
Diluted earnings per Ordinary Share (pence)	4.54	4.38

Adjusted EPS

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

	2022	2021
Earnings (£'000)		
Earnings for the purposes of basic and diluted earnings per share being adjusted earnings	9,675	8,599
Number of shares		
Weighted average number of shares for the purposes of adjusted earnings per share	167,450,893	167,450,893
Weighted average dilutive effects of conditional share awards	185,624	353,605
Weighted average number of shares for the purposes of diluted earnings per share	167,636,517	167,804,498
Adjusted earnings per Ordinary Share (pence)		
Basic adjusted earnings per Ordinary Share (pence)	5.78	5.14
Diluted adjusted earnings per Ordinary Share (pence)	5.77	5.12

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

	2022	2021
	£'000	£'000
Profit for the year attributable to equity shareholders	7,613	7,347
Add back/(deduct):		
Amortisation charge on acquired intangible assets	1,420	894
Share-based payment charge	1,253	715
Tax effect of the above	(611)	(357)
Adjusted earnings	**9,675**	**8,599**

7. INTANGIBLE ASSETS

	Goodwill	Customer relationships	Software and development costs	Work in progress	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 January 2021	35,802	10,144	17,130	222	63,298
Impact of foreign exchange translation	3	97	100	-	200
Additions	-	-	3,553	739	4,292
Reclassifications	-	-	538	(538)	-
Balance at 31 December 2021	35,805	10,241	21,321	423	67,790
Impact of foreign exchange translation	334	1,081	1,643	39	3,097
Additions	-	-	2,347	4,115	6,462
Disposals	-	-	(926)	-	(926)
Reclassifications	-	-	492	(492)	-
Balance at 31 December 2022	**36,139**	**11,322**	**24,877**	**4,085**	**76,423**
Accumulated amortisation					
Balance at 1 January 2021	-	1,157	8,124	-	9,281
Impact of foreign exchange translation	-	(13)	37	-	24
Charge for year	-	503	2,308	-	2,811
Balance at 31 December 2021	-	1,647	10,469	-	12,116
Impact of foreign exchange translation	-	171	878	-	1,049
Charge for year	-	554	3,628	-	4,182
Disposals	-	-	(926)	-	(926)
Balance at 31 December 2022	**-**	**2,372**	**14,049**	**-**	**16,421**
Net book value					
At 31 December 2020	35,802	8,987	9,006	222	54,017
At 31 December 2021	35,805	8,594	10,852	423	55,674
At 31 December 2022	**36,139**	**8,950**	**10,828**	**4,085**	**60,002**

Staff costs of £5,797,000 (2021: £3,667,000) have been capitalised as intangible assets.

The remaining amortisation periods for customer relationships are between 14 and 16 years (2021: 15 and 17 years) and for software and development costs are between 1 and 5 years.

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 CGU. The value in use calculations were based on projected cash flows in perpetuity. For both CGUs, budgeted cash flows for 2023 to 2027 were used. For Brand Addition, these were based on a forecast for 2023 with growth rates of 6% applied to EBITDA each year. For Facilis, these were based on forecasts for 2023 to 2026, with 10% growth rates applied to EBITDA in 2027. Subsequent years were based on a reduced rate of growth of 2.0% (2021: 2.0%) into perpetuity. Appropriate adjustments were also made for changes in working capital and other cash flows to both CGUs.

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 CGUs 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 12.4% for Brand Addition and 13.6% for Facilisgroup (2021: 8.9% for Brand Addition and 9.3% for Facilisgroup) to discount the cash flows used for the CGUs. Sensitivities to revenue and margin, consistent with those used in the going concern analysis, were applied to each CGU. Additionally, the impact on headroom arising from a 2% increase in the WACC was also considered. The value in use calculations described above, together with sensitivity analysis using reasonably possible changes in the key assumptions as set out above, indicate the Group has 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:

	2022	2021
	£'000	£'000
Brand Addition	33,057	33,057
Facilisgroup	3,082	2,748
	36,139	35,805

The value in use, calculated as described on the previous page and attributable to each CGU is:

	2022	2021
	£'000	£'000
Brand Addition	102,824	171,111
Facilisgroup	123,798	215,961
	226,622	387,072

Management considers that no reasonably possible changes would reduce either CGU's headroom to £nil and the reduction from prior year is driven by the increase in WACC.

8. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings	Computer hardware	Right-of-use Assets	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 January 2021	3,713	2,708	12,795	19,216
Impact of foreign exchange translation	19	(2)	45	62
Additions	160	520	461	1,141
Disposals	-	-	(517)	(517)
Balance at 31 December 2021	3,892	3,226	12,784	19,902
Impact of foreign exchange translation	216	146	783	1,145
Additions	327	618	2,471	3,416
Disposals	(880)	(1,319)	(2,240)	(4,439)
Balance at 31 December 2022	**3,555**	**2,671**	**13,798**	**20,024**
Accumulated depreciation				
Balance at 1 January 2021	2,935	1,977	5,202	10,114
Impact of foreign exchange translation	16	10	20	46
Charge for the year	182	336	1,468	1,986
Disposals	-	-	(171)	(171)
Balance at 31 December 2021	3,133	2,323	6,519	11,975
Impact of foreign exchange translation	154	98	339	591
Charge for the year	233	451	1,700	2,384
Disposals	(880)	(1,300)	(2,238)	(4,418)
Balance at 31 December 2022	**2,640**	**1,572**	**6,320**	**10,532**
Net book value				
Balance at 31 December 2020	778	731	7,593	9,102
Balance at 31 December 2021	759	903	6,265	7,927
Balance at 31 December 2022	**915**	**1,099**	**7,478**	**9,492**

Right-of-use assets – net book value

	2022	2021
	£'000	£'000
Leasehold property	7,362	6,069
Fixtures and fittings	87	140
Computer hardware	29	56
Total Right-of-use assets – net book value	7,478	6,265

9. LEASES

Amounts recognised in the Consolidated statement of financial position

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

	£'000
Right-of-use assets	
Balance at 1 January 2021	7,593
Impact of foreign exchange translation	25
New leases recognised in the year	461
Disposals	(346)
Depreciation charge for the year	(1,468)
Balance at 31 December 2021	6,265
Impact of foreign exchange translation	444
New leases recognised in the year	2,471
Disposals	(2)
Depreciation charge for the year	(1,700)
Balance at 31 December 2022	**7,478**

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

Lease liabilities	2022	2021
	£'000	£'000
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	1,897	1,716
More than one year, less than two years	1,726	1,440
More than two years, less than three years	1,627	1,273
More than three years, less than four years	1,624	1,200
More than four years, less than five years	1,091	1,202
More than five years	2,207	2,338
Total undiscounted lease liabilities at year end	10,172	9,169
Finance costs	(1,113)	(1,397)
Total discounted lease liabilities at year end	**9,059**	**7,772**
Lease liabilities included in the statement of financial position:		
Current	1,569	1,384
Non-current	7,490	6,388
	9,059	**7,772**

Amounts recognised in the Consolidated income statement

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

	2022	2021
	£'000	£'000
Depreciation charge – fixtures and fittings	1,655	1,424
Depreciation charge – computer hardware	45	44
	1,700	**1,468**
Interest expense (within finance expense)	**374**	**381**

The above leases relate to office space, computer equipment and motor vehicles. The net book value by category is set out in note 8.

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

10. SHARE-BASED PAYMENTS

In the year ended 31 December 2022 the Group operated equity-settled share-based payment plans as described below.

The Group recognised total expenses of £1,253,000 (2021: £715,000) in respect of equity-settled share-based payment transactions in the year ended 31 December 2022.

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, 8 June 2021, and 30 March 2022 under the LTIP.

Under the LTIP, the Group has made awards over 3,928,556 (2021: 2,208,570) 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 Basic 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 – Basic 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 LTIP awards outstanding at 31 December 2022 are shown below:

	Number of shares
At 1 January 2021	1,248,060
Granted in the year	960,510
Lapsed in the year	(134,324)
At 31 December 2021	2,074,246
Granted in the year	1,719,986
Lapsed in the year	(436,702)
At 31 December 2022	**3,357,530**

The weighted average fair value of options granted under this plan during the year was £0.98 (2021: £0.90). The weighted average remaining contractual life of the share options outstanding under this plan at 31 December 2022 was 1.3 years (2021: 1.7 years).

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 on the following page.

	2020 award TSR condition	**2020 award AEPS condition**	**2021 award TSR condition**	**2021 award AEPS condition**	**2022 award TSR condition**	**2022 award AEPS condition**
Share price at grant date	105.0p	105.0p	130.0p	130.0p	132.5p	132.5p
Exercise price	£nil	£nil	£nil	£nil	£nil	£nil
Expected volatility	17.2%	-	17.5%	-	17.9%	-
Expected life	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	0%	-	0%	-	0%	-
Risk-free interest rate	0.53%	-	0.53%	-	0.53%	-
Fair value per option	22.3p	110.5p	28.2p	153.0p	29.6p	101.5p

Performance conditions		2020 award 3 years ended 30 June 2023	2021 award 3 years ended 31 December 2023	2022 award 3 years ended 31 December 2024
70% Cumulative adjusted EPS	Threshold (25% maximum vesting)	13.4p 14.3p	15.4p 16.3p	17.6p 18.8p

Basic adjusted EPS as defined in the LTIP rules, excludes share-based payment charge, exceptional items and amortisation from acquired intangibles	Mid-range (60% maximum vesting) Maximum (100% maximum vesting)	15.1p	17.3p	19.9p
30% Annualised TSR Annualised growth in total shareholder returns	Threshold (25% maximum vesting) Mid-range (60% maximum vesting) Maximum (100% maximum vesting)	8.0% pa 11.3% pa 15.0% pa	8.0% pa 11.3% pa 15.0% pa	8.0% pa 11.3% pa 15.0% pa

The Pebble Group Plc Group Sharesave Plan (the 'SAYE')

Certain eligible employees of the Company, along with other Group employees, have been granted share options on 6 October 2021 under its Sharesave Plan and its sub-plan, the International Sharesave Plan.

The SAYE provides for an exercise price equal to the quoted mid-market price of the Company shares on the business day immediately preceding the date of grant, less a discount of twenty per cent, of £1.22. The vesting period under the scheme is three years with no performance conditions, other than remaining a Group employee, are attached to the options.

Under the SAYE, the Group made awards of 937,223 conditional shares to certain Directors and employees in 2021.

Details of the maximum total number of Ordinary Shares which may be issued in future periods in respect of SAYE awards outstanding at 31 December 2022 are shown below:

	Number of shares
At 1 January 2021	-
Granted in the year	937,223
Lapsed in the year	(13,513)
At 31 December 2021	923,710
Lapsed in the year	(181,645)
At 31 December 2022	**742,065**

The fair value at grant date is independently determined using an adjusted form of the Black-Scholes 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 on the following page.

	2021 award
Share price at grant date	152.5p
Exercise price	122.0p
Expected volatility	17.6%
Expected life	3 years
Expected dividend yield	0%
Risk-free interest rate	0.53%
Fair value per option	21.0p