The Pebble Group

8 April 2020

The information communicated within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. 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 "Company" or the "Group")

Audited Final Results 2019

The Pebble Group, a leading provider of products, services and technology to the global promotional products industry, announces its results for the year ended 31 December 2019 ("FY19" or the " Year"), which are in line with expectation and show significant growth in revenue and profit on the prior year.

Financial summary

Adjusted results	**2019**	2018 Restated	**Growth**
Revenue	**£107.2m**	£93.0m	**15.3%**
Gross profit	**£40.1m**	£28.1m	**42.7%**
Gross profit margin	**37.4%**	30.2%	**7.2p.p.t.**
Adjusted EBITDA[1]	**£15.2m**	£10.1m	**50.5%**
Adjusted operating profit[2]	**£13.0m**	£8.6m	**51.2%**
Adjusted profit before tax[3]	**£7.6m**	£2.8m	**171.4%**
Adjusted operating cash flow[4]	**£14.2m**	£7.5m	**89.3%**
Net cash / (debt) position	**£2.5m**	£(62.2)m	
Adjusted earnings per share[5]	**2.81p**	0.92p	**205.4%**
Statutory results			
Operating (loss)/profit	**£(4.9)m**	£7.2m	
(Loss)/profit before tax[6]	**£(10.3)m**	£1.3m	
Basic and diluted (loss)/earnings per share	**(12.56)p**	0.34p	

1 *Adjusted EBITDA means operating profit before depreciation, amortisation and exceptional items in note 5*

2 *Adjusted operating profit means operating profit before amortisation of acquired intangible assets and exceptional items*

3 *Adjusted profit before tax means profit before tax before amortisation of acquired intangible assets and exceptional items*

4 *Adjusted operating cash flow is calculated as Adjusted EBITDA less movements in working capital and capital expenditure*

5 *Adjusted EPS represents Adjusted Earnings divided by a weighted average number of shares in issue post Admission on 5 December 2019 this has been applied retrospectively to the number of shares in issue at 31 December 2018 and is disclosed to indicate the underlying profitability of the Group*

6 *Includes £13.5m (2018 restated: £0.5m) deferred consideration payable on the acquisition of Facilisgroup. IFRS3 requires that any deferred consideration payments linked to post acquisition employment conditions are treated as remuneration for post-acquisition services and charged to the income statement over the deferral period. 2018 has been restated to reflect this adjustment. All amounts due to the Facilis vendors were settled in full at IPO and therefore this charge will not recur; IPO transaction costs of £3.9m (2018: transaction and other exceptional costs of £0.7m) and net finance costs of £5.4m (2018: £5.8m).*

FY19 revenue and profit analysis by business line

	Brand Addition	Facilisgroup	Central operations	Group
Revenue	**£97.9m**	**£9.3m**	**-**	**£107.2m**
Gross profit	**£30.8m**	**£9.3m**	**-**	**£40.1m**
Gross profit margin	**31.4%**	**100%**		**37.4%**
Adjusted EBITDA	**£10.7m**	**£5.1m**	**£(0.6m)**	**£15.2m**

Operational highlights FY19

2019 was a very significant year for the Group, demonstrating strong growth and profitability and the transformational impact of Facilisgroup with revenue growing by 15.3% and Adjusted EBITDA by 50.5%.

Brand Addition:

- Organic revenue growth of 6.1%, primarily driven by increased sales to existing customers in Consumer Promotions
- Continued track record of successfully retaining major client contracts
- Engaged in new business tender processes that resulted in major new business wins in early 2020 which we expect to begin invoicing in H2 2020

Facilisgroup:

- Successfully integrated with investment in technology and people, including the appointment of new leadership and management team and setting a clear growth strategy
- Customer ("Partner") numbers increased to 149 (2018: 127) - an increase of 17.3%
- Total Partner sales processed through proprietary @ease SaaS platform at US$801m (2018: US$701m) - an increase of 14.3%

Group:

- Major acquisition successfully integrated and delivering growth
- Successful IPO and Admission to AIM, raising a total of £135m and repaying all existing debt
- Experienced Board formed at IPO: Richard Law, Chairman; Yvonne Monaghan; Senior Independent Non-Executive Director; and Stuart Warriner as Independent Non-Executive Director

Post year end and update on effects of COVID-19 on FY20

The Group had a positive start to the year ending 31 December 2020 ("FY20") in January and February 2020:

- Brand Addition successfully retained a number of major existing Corporate Programmes clients, as well as attracting significant new ones
- Facilisgroup delivered the expected growth in Partner numbers and total Partner sales processed through its technology (up 27%)

In a Trading Update and COVID-19 announcement on 19 March 2020 (RNS number 8138G), the Group outlined the immediate impact of the lockdown restrictions on trading performance. The Board provides the following update:

Brand Addition (c.66% of Group Adjusted EBITDA in FY19):

- ***Corporate Programmes (c.70% of divisional revenue in FY19)***
  Major disruption ongoing with the value of orders received in the three weeks to 3 April 2020 equating to 28.4% of orders received in the comparable period in FY19
- ***Consumer Promotions (c.30% of divisional revenue in FY19)***
  Minor disruption experienced to date

Facilisgroup (c.34% of Group Adjusted EBITDA in FY19):

- Continues to experience only minor disruption
- Growth in new Partner numbers unaffected by pandemic - 9 onboarded in Q1 (including 3 in March 2020) with a further 5 contracted and awaiting implementation
- COVID-19 driven spike in Partner sales through @ease technology in the last two weeks, as entrepreneurial Partners switched to marketing PPE and cleansing products, though much of these sales are through non-preferred suppliers
- SaaS revenue (c.68% of divisional revenue in FY19) growing in line with management expectations to date

Group:

- Utilisation of government initiatives to cover operational costs, where appropriate
- Temporary cost reductions of £0.5m per month implemented in areas of the business most severely impacted, effective from 5 April 2020
- Draw down of £7.7m on committed £10m revolving credit facility on 26 March 2020

Outlook

- Brand Addition’s Corporate Programmes activity is likely to remain severely affected for at least the duration of the lockdown restrictions
- Brand Addition’s Consumer Promotions activity expected to remain broadly on track
- Facilisgroup expected to remain broadly on track
- The management team’s actions will continue to ensure that the wellbeing of the Group’s people is prioritised, its business capabilities are preserved and that cost and performance are optimised
- Financial performance guidance withdrawn for FY20 and FY21, until there is visibility on the lifting of lockdown restrictions
- The Board believes that The Pebble Group is well placed to manage the disruption and to benefit as normal business activity resumes
- Strong balance sheet and liquidity position with cash balances of £9.9m at 7 April 2020
- The Board remains confident in the long-term prospects of the Group

Enquiries:

The Pebble Group plc	+44 (0) 161 786 0277
Chris Lee, Chief Executive Officer	
Claire Thomson, Chief Financial Officer	
Grant Thornton UK LLP (Nominated Adviser)	+44 (0) 20 7383 5100
Samantha Harrison / Harrison Clarke / Niall McDonald	
Berenberg (Corporate Broker)	+44 (0) 20 3207 7800
Chris Bowman / Marie Moy/ Simon Cardron	
Belvedere Communications (Financial PR)	thepebblegrouppr@belvederepr.com
Cat Valentine	+44 (0) 7715 769 078
Keeley Clarke	+44 (0) 7967 816 525
Llew Angus	+44 (0) 7407 023 147

About The Pebble Group plc – www.thepebblegroup.com

The Pebble Group is a provider of products, services and technology to the global promotional products industry, comprising two differentiated businesses, focused on specific areas of the promotional products market:

Brand Addition - www.brandaddition.com

The Group's promotional product merchandise business, Brand Addition, is a leading provider of promotional products to global brands. Brand Addition utilises its global network to source and deliver complex and creative promotional product solutions to support the marketing efforts of its multi-national clients, who operate in sectors which include health & beauty, fast moving consumer goods, transport, technology, banking & finance and charity. Brand Addition's clients primarily comprise major global brands under contract.

Facilisgroup - www.facilisgroup.com

The Group's SaaS business, Facilisgroup, provides subscription-based services to SME promotional product distributors (Partners) in the United States and Canada. Facilisgroup's suite of services includes business intelligence software, buying power and community events. Through its @ease proprietary software, Facilisgroup offers a SaaS technology platform that enables its network of Partners to improve order management, CRM and sales analysis and reporting. Facilisgroup also provides its Partners with access on favourable terms to a selected group of preferred suppliers, by consolidating the purchasing power of its Partners. This attracts rebates from suppliers, who in turn benefit from efficient access to a network of high quality distributors.

CHAIRMAN'S STATEMENT

I am pleased to have been appointed as the new Chairman of The Pebble Group and to present the Group's first set of results as a quoted company, which show the substantial progress made by the business during 2019.

The year under review was a notable one for the business and The Pebble Group team. Having operated independently as Brand Addition for over seven years, the decision was taken to build upon this success and expand the business by acquiring Facilisgroup, a provider of subscription-based services to SME promotional products distributors in North America in December 2018.

Over the course of the year to 31 December 2019, Facilisgroup was rapidly and effectively integrated into the Group, a process which transformed the enlarged business in terms of scale, diversity and financial performance. Group revenue in the year increased by 15.3% to £107.2 million (2018: £93.0 million) and Adjusted EBITDA increased by 50.5% to £15.2 million (2018: £10.1 million). This transformational year concluded with the successful IPO and Admission to AIM in December 2019, when the Group raised £135 million.

COVID-19

The Group entered 2020 in good shape and, until the COVID-19 pandemic impacted, The Pebble Group was on track to continue delivering growth in 2020. As previously announced on 19 March 2020 (RNS number 8138G), the virus has, to date, caused major disruption to one part of the Brand Addition business, Corporate Programmes, which has seen a dramatic reduction in the number of orders despatched in the last three weeks as a result of the unprecedented lockdown restrictions. The other two areas of the Group, Brand Addition's Consumer Promotions and Facilisgroup, are currently experiencing only minor disruption.

In response to the major impact on Brand Addition's Corporate Programmes' activity, the management team has rapidly implemented a mitigation strategy, which includes a range of cost reduction measures, principally comprising temporary weighted salary reductions and the use of the UK Government's Furlough Scheme. Details of tiered temporary salary reductions are set out in the Financial Review. The Board is also taking a temporary 40% reduction in salary. These measures will reduce costs by c£0.5m per month in those parts of the business most affected by the COVID-19 lockdown.

In addition, the Board took swift action to strengthen the Group's liquidity position by drawing down £7.7m from its committed £10m revolving credit facility on 26 March 2020. As at 7 April 2020, the Group held cash balances of £9.9m.

The scale and nature of the pandemic is changing daily and there is no visibility, as yet, on the likely duration of the lockdown restrictions. As such, it is not possible to estimate the full impact of the pandemic on the Group's trading. The Board is, therefore, withdrawing its financial performance guidance for FY20 and FY21.

The Group's COVID-19 mitigation strategy, which has the wellbeing of our people at its heart and is structured to protect the capabilities of business and its ability to recover rapidly from this unprecedented situation, is outlined in the Chief Executive's Review.

Long-term vision and strategy

Our vision is to become the partner of choice for:

- Global brands, who use promotional products as a key stakeholder engagement tool; and
- SME distributors of promotional products, seeking to professionalise and grow their businesses in North America through the use of Facilisgroup's SaaS @ease platform.

The Group has a track record for delivering strong organic growth, as well as growth through acquisition. Our talented people have delivered on all key areas of this strategy during the year under review and we have strategic objectives for the future. The unprecedented events of recent weeks have impacted our business, like many others. Our long-term strategy, however, to continue growing organically and by acquisition remains unchanged.

Whilst managing the short term market disturbance, our team is also continuing to plan for organic growth and prepare for the opportunities, which will arise as normality returns. These plans focus primarily on using the Group's strong position in the market to grow by winning new clients and generating increased spend on existing contracts at Brand Addition and by attracting new Partners and increasing the range and value of services that we sell to Partners through Facilisgroup's SaaS @ease service. The markets in which we operate are large and fragmented. We will also continue, at the right time, to consider value enhancing acquisitions, as part of our wider strategy, particularly those which are complementary to Facilisgroup.

People

On Admission to AIM, the Group welcomed Yvonne Monaghan, as Independent Non-executive Director and Senior Independent Director, and Stuart Warriner, as Independent Non-executive Director. I also joined the Board at this time. The Board has extensive experience in dealing with a broad range of market conditions and rapid strategic growth. I am very pleased to have such diverse knowledge and expertise around the Board table.

The Pebble Group's team globally comprises 450 people operating across six countries. Our firm belief is that our team is central to all that the Group does and achieves. We value our people highly and are committed to building a culture of positive engagement throughout the business, encouraging the development of our people and recognising their contribution to the business. As well as raising the profile of the Group and its brands, the IPO provided a new capital structure to grow the business and incentivise our people.

Environmental, Social and Governance ("ESG")

A primary function of any board is governance. As part of the process of becoming a listed company, new structures and processes have been put in place or extended by the Board, the details of which will be set out in our Annual Report 2019. We are committed to continuing to evolve and develop these in line with Corporate Governance best practice and guidance moving forward.

The Pebble Group takes its responsibility to sustainable business practices very seriously and is committed to sourcing, designing and offering products which support social responsibility and environmental sustainability. Through collaboration with key stakeholders, including clients and suppliers, and strong supply chain audit processes, we protect the integrity and reputation of the global brands with whom we work.

As a Board, we understand the increasing importance of ESG to investors, employees and clients. Our intention, therefore, is to move towards reporting this in a structured manner going forward.

Summary

In summary, 2019 was a very significant year for the Group, demonstrating its ability to grow organically and deliver transformational growth in revenue and profitability through selective acquisition.

The arrival of COVID-19 has interrupted the progress of the Group. Our talented people and managers, however, are highly capable of both dealing with the current challenges and, as restrictions are withdrawn, of achieving The Pebble Group's ambitions. For now, we shall continue to protect our team, by observing social distancing and working from home restrictions, and seek to reduce costs, where appropriate and without impacting the future capabilities of the business.

We have a strong liquidity position and robust balance sheet. The Board believes that the Group is well placed to manage the disruption and benefit as normal business activity resumes and, as such, remains confident in the long-term prospects of the Group.

Richard Law
Non-executive Chairman

CHIEF EXECUTIVE'S REVIEW

Introduction

Following our Admission to AIM in December 2019, we are pleased to report the Group's full year results for the year ended 31 December 2019.

These results include the first full-year contribution from Facilisgroup, following its acquisition in December 2018, and represent a step change in focus, scale and profitability within the Group, with revenue 15.3% ahead of the prior year at £107.2m (2018: £93.0m). Adjusted EBITDA increased by 50.5% to £15.2m (2018: £10.1m). This material change demonstrates the excellent returns generated by Facilisgroup under its subscription-based income model.

Since its acquisition, Facilisgroup has progressed well and has been successfully integrated into The Pebble Group. This SaaS business evolves our reach within the promotional products market, enabling us to offer technology and other services to entrepreneurial promotional product businesses in North America, which in turn further professionalise and grow their own organisations.

Added to this, Brand Addition again delivered revenue and profit growth through its disciplined strategy to support large corporates and global brands, who outsource their promotional merchandise requirements, through complex design, sourcing and delivery services under contract.

Our stock market listing at the end of 2019 was a key milestone for The Pebble Group. The IPO raised £135m of which £79m was primarily used to repay the Company's existing debt facilities in full, as well as settling an outstanding consideration arising from the acquisition of Facilisgroup. The Group's new capital structure enhances our profile and will provide incentivisation to our people. The management team remains invested in the success of the business, having retained approximately 9% of the Company's total issued share capital at IPO.

The progress the Group made in the year under review, including the successful IPO, was a direct result of the combined efforts of our team of highly talented and dedicated people across our businesses in Asia, Europe and North America. The COVID-19 pandemic is presenting us with new challenges in 2020, as outlined below. I have confidence in the resilience of our client base, Partners and suppliers to rebound from the effects of this virus and am very grateful to our people for their exceptional efforts and dedication, during these uncertain times.

Promotional products market

As one of the most cost-effective forms of marketing, the global promotional products market is large and growing with the North American and European markets totalling over US$50bn. Businesses of all sizes, sectors and geographies use promotional products to convey their brand values and identity to stakeholders. The returns these products deliver, in respect of brand awareness and engagement relative to cost, makes them a highly efficient marketing tool.

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

Our business model and operational performance

	Brand Addition	Facilisgroup	Central operations	Group
Revenue	**£97.9m**	**£9.3m**	**-**	**£107.2m**
Gross profit	**£30.8m**	**£9.3m**	**-**	**£40.1m**
Gross profit %	**31.4%**	**100%**	**-**	**37.4%**
Adjusted EBITDA	**£10.7m**	**£5.1m**	**£(0.6m)**	**£15.2m**

Brand Addition

Our strategy is to focus on the provision of product and complex services to support the promotional product requirements of large corporates via long-term relationships, under contract. Working in close collaboration with its clients, Brand Addition designs products and product ranges, hosts client-branded global web stores and provides international sourcing and distribution solutions.

Through purchasing our products and services our clients are seeking to create excitement, brand loyalty and brand recognition across their stakeholder base, as well as protect their brand equity by ensuring their promotional products and services are procured through a channel which reflects their own values towards corporate and social responsibility. Brand Addition allows them to achieve this in an efficient manner across global geographies.

In the year under review, revenue increased by 6.1% to £97.9m (2018: £92.3m). This organic growth was achieved during a transformational year for the Group, during which we successfully integrated a major acquisition, Facilisgroup, and undertook an intensive three-month IPO process.

Brand Addition delivers Corporate Programmes to support our clients' general marketing activities and Consumer Promotions to support clients' sales. The majority of growth achieved in FY19 was derived from increased sales to existing customers in Consumer Promotions.

Our disciplined strategy to focus on large corporates continued into the new financial year and, in the early months of FY20, Corporate Programmes successfully retained some major existing Corporate Programmes clients and attracted new ones. The COVID-19 pandemic, however, has had a major impact on the activity of our clients who operate Corporate Programmes with us. Lockdown situations have taken hold in March 2020. The value of orders received in the last two weeks of March and first week of April, equated to 28.4% of the comparable period of 2019. We do not expect any material recovery in order levels until the governmental restrictions on working from home, travel and holding events are lightened.

To date, there has been minor disruption to our Consumer Promotions business with more than 70% of orders expected in the year already received.

I believe that our success in winning new Corporate Programmes clients, prior to the impact of COVID-19, demonstrates the attractiveness of our offering. Brand Addition's blue-chip corporate client list, together with its geographical and sector diversity, ensure that the business is well-placed to manage in the short term and benefit as normal business activity resumes.

Facilisgroup

Facilisgroup provides technology that supports promotional product distributors in North America to efficiently manage and grow their businesses. Added to this, we provide related benefits of supply chain consolidation together with networking and learning events.

Revenue of £9.3m was achieved in this first full year of contribution to the Group and Partner numbers grew to 149 by the year end, an increase of 22 or 17.3% in the year.

The sales activity of our Partners resulted in US$801m of sales being processed through our subscription-based technology platform, @ease. This represents a significant spend in the fragmented, circa US$25bn, North American market.

The Pebble Group has invested heavily into the Facilisgroup team since its acquisition in late 2018. This includes increasing the skillsets to drive the continual development of our bespoke technology, adding services for existing Partners and ensuring the resources are in place to support Partner growth.

In early 2020, we formalised the new leadership and management team and set a clear path for the successful development of the next stage of growth for Facilisgroup. There are three points of focus:

- Responsibly increase our Partner numbers ensuring our Partner quality remains high, and the community relationships we create with our Partners and suppliers remains strong;
- Develop additional income streams, that augment the benefits available to our existing Partners and suppliers; and
- Develop our technology and strong industry relationships to offer an adaptation of our existing services to industry entrepreneurs in the early stage of their business development.

This combination creates an exciting platform for growth for Facilisgroup in 2020 and beyond.

Partner numbers have, so far, continued to grow in line with our expectations in 2020, with a further nine Partners being implemented in Q1, of which three joined in March. A further five are contracted, awaiting implementation. Early indications show a spike in overall sales processed by our Partners using our technology in the last two weeks. The total value of sales processed by our Partners is 57% ahead of the prior year at 3 April 2020, including this spike. Being highly entrepreneurial, after the initial shock of COVID-19, a number of our Partners swiftly refocused marketing into new product categories, such as PPE and cleansing products, attracting increased sales from new and existing customers. We expect this unusual high level of sales to fall, as Partner sales regulate at lower levels until normal working patterns resume. A significant proportion of this unusual uplift has been sourced through non preferred suppliers. The revenue from our subscription-based Saas @ease platform (c.68% of divisional revenue in FY19) is continuing to grow in line with management expectations to date.

Overall, we continue to be pleased with the progress of Facilisgroup and remain confident about realising the multiple growth opportunities ahead.

COVID-19 strategy

As referenced above, COVID-19 has had a major impact on the order demand of our Brand Addition Corporate Programmes clients.

These clients are global businesses that will re-emerge from the initial shock of COVID-19 and we expect more normal order demand patterns to return as restrictions on working from home, travel and holding events are lightened. Added to this, we expect the new client wins, secured early in FY20, will begin to impact in H2 and contribute to the speed of demand recovery.

In response to these demand challenges, the Group has reacted quickly and has been supported by the Brand Addition team utilising government initiatives, where appropriate, and reducing costs, where activity levels are lower. The Pebble Group Board has aligned itself with this cost reduction programme, which has been implemented and is expected to be temporary. We believe these actions, together with strong balance sheet of the Group and the less affected business streams in Facilisgroup and Brand Addition Consumer Promotions, leave the Group well placed both to navigate the short-term issues and return to the expected growth pattern pre COVID-19.

Throughout the uncertainties created by this global pandemic our team has reacted with great care for their colleagues, clients, suppliers and the Group. I thank them all for continued dedication through these most difficult circumstances.

Outlook

The Group made substantial progress in FY19 and the foundations for growth were firmly put in place with the successful IPO in December. Whilst the new financial year started well in all areas of the business, COVID-19 is undoubtedly having a major impact our financial performance which will continue in the weeks ahead until the effects of the disruption start to dissipate. We have taken rapid action to support our people and to mitigate the effects of the COVID-19 on our business operations. The Group’s balance sheet is strong and our proven growth strategy is unchanged.

We remain confident in the long-term prospects for the Group and are well-placed to benefit as normal business activity resumes.

Christopher Lee
Chief Executive Officer

GROUP FINANCIAL REVIEW

	2019	2018 Restated	**Growth**
Revenue	**£107.2m**	£93.0m	**15.3%**
Adjusted EBITDA	**£15.2m**	£10.1m	**50.5%**
Adjusted operating cash flow	**£14.2m**	£7.5m	**89.3%**
Net cash / (debt) position	**£2.5m**	£(62.2)m	
Adjusted Earnings Per Share	**2.81p**	0.92p	**205.4%**

Overview

The Group generated significant growth in revenue and Adjusted EBITDA in 2019, increasing by 15.3% and 50.5% respectively. Facilisgroup, acquired in December 2018, was a key driver of this growth with 2019 being the first full year of trading under The Pebble Group ownership. This acquisition materially changed the Group's offering and we now provide products, services and technology across a diverse range of customers in the promotional products sector. The Group also delivered organic revenue growth in 2019. Facilisgroup implemented a record number of new partners (22) and Brand Addition generated growth from both existing customers and new customer acquisition, resulting in a 6.1% increase in revenue.

Upon Admission to AIM, the Group became debt free, having repaid all outstanding loans from the previous Private Equity ownership financing structure and satisfying the deferred consideration outstanding from the acquisition of Facilisgroup. At the year end, it had a net cash balance of £2.5m, compared to net debt of £62.2m at 31 December 2018 restated.

The Group's balance sheet is strong and its liquidity position is robust with cash balances of £9.9m at 7 April 2020. This includes an amount of £7.7m drawn down on the Company's £10m committed revolving credit facility on 26 March 2020.

The delivery of our successful IPO in December 2019 has been reflected in these numbers using merger accounting. This results in the transaction being reflected as though the Group and its new Holding Company had always been in existence.

Review of the business

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

	2019	2018 Restated	Variance
Revenue	**£107.2m**	£93.0m	***£14.2m***
Gross profit	**£40.1m**	£28.1m	***£12.0m***
Gross profit margin	***37.4%***	*30.2%*	-
Adjusted EBITDA	**£15.2m**	£10.1m	***£5.1m***
Adjusted EBITDA margin	***14.2%***	*10.9%*	-
Depreciation and amortisation	**£(2.7)m**	£(1.6)m	***£(1.1)m***
Exceptional items	**£(17.3)m**	£(1.3)m	***£(16.0)m***
Operating (loss)/profit	**£(4.9)m**	£7.2m	***£(12.1)m***
Net finance costs	**£(5.4)m**	£(5.8)m	***£0.4m***
(Loss)/profit before tax	**£(10.3)m**	£1.3m	***£(11.6)m***
Tax	**£(2.0)m**	£(1.0m)	***£(1.0)m***
(Loss)/Profit for the year	**£(12.3)m**	£0.3m	***£(12.6)m***
Adjusted weighted average number of shares	**167,450,893**	167,450,893	-
Adjusted EPS	**2.81p**	0.92p	***1.89p***
Weighted average number of shares	**97,390,317**	92,016,939	***5,373,378***
Basic EPS	**(12.56)p**	0.34p	***(12.90)p***

Revenue

Revenue for FY19 was £107.2m (2018: £93.0m), representing growth of 15.3%. Of this increase, £8.6m comprised a full 12 months' revenue from Facilisgroup, which contributed only one month in 2018. In the year, Facilisgroup delivered 7% organic growth (£0.9m) in revenue on a like for like basis from existing customers and a further £0.7m from 22 new partner implementations. Revenue in the Brand Addition business increased by £5.6m in FY19, of which £1.2m came from new customers and £4.4m from existing customers.

Gross profit

Gross Profit as a percentage of turnover increased during the year by 7.2 p.p.t from 30.2% to 37.4%, largely reflecting the impact of the Facilisgroup acquisition, which delivers 100% gross profit margins. This overall increase also includes a 1.7 p.p.t uplift in the gross profit margin of the Brand Addition business, which moved to 31.4% in the year (2018: 29.7%), as we achieved our objective of maintaining gross margins whilst growing revenue.

Adjusted EBITDA

Adjusted EBITDA increased by £5.1m (50.5%) in the year, reflecting the £4.6m full year impact of the Facilisgroup acquisition and growth in the Brand Addition business of £1.1m less central costs of £0.6m. The Adjusted EBITDA margin increased by 3.3 p.p.t from 10.9% to 14.2%.

Operating (loss)/profit

The £4.9m operating loss for the year (2018 restated : £7.2m operating profit) includes £17.3m of exceptional items (2018 restated: £1.3m). £13.4m of this arises on the settlement of deferred consideration payments for the acquisition of Facilisgroup with a further £3.9m of IPO related costs further details for which are provided below.

Depreciation and amortisation

The total charge in the year was £2.7m of which £1.5m (2018 restated: £0.6m) 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 represents the full year impact of the ownership of Facilisgroup. Given the Group's intention to accelerate the growth of Facilisgroup via increased investment into its technology, it is expected that this charge will increase in the next financial year.

Exceptional items

	2019	2018 Restated	***Variance***
Exceptional items			
Reorganisation and restructuring	**-**	£0.2m	***£(0.2)m***
Transaction and IPO related costs	**£3.9m**	£0.7m	***£3.2m***
Deferred consideration payments to Facilisgroup vendors	**£13.4m**	£0.5m	***£12.9m***
Total	**£17.3m**	£1.3m	***£16.0m***

Exceptional costs of £17.3m (2018 restated: £1.3m) comprise £3.9m, relating to the Group's Admission to AIM in December 2019, which include £1.3m accelerated interest costs, due to the previous providers of mezzanine debt finance that crystallised at listing, and £0.75m in respect of a one-off conditional IPO bonus accrual agreed by the former board payable in the event of listing. Both these items were identified as debt like items and were funded by cash left behind in the business on IPO. A further £1.3m related to the write-off of unamortised debt fees, arising under the previous private equity ownership, and one-off deal related items arising on IPO of £0.55m.

£13.4m (2018 restated: £0.5m) arose on settlement of deferred consideration payments to the vendors of Facilisgroup. As the sale and purchase agreement for the acquisition of Facilisgroup specified deferred payments would only be payable in the event the vendors remained as employees of the Group, IFRS 3 requires these payments are treated as remuneration for post-acquisition services. As such, the costs are charged to the profit and loss account over the deferral period rather than being held on the balance sheet as an intangible asset. This has resulted in a restatement of the 2018 income statement to reflect the application of this principle for one month, following the acquisition, in 2018. As all remaining amounts outstanding were settled on Admission to AIM, the balance of amounts due have been included as an exceptional item in 2019, As these payments were funded by amounts raised at IPO, this treatment has no impact on the Group's underlying cash position. Further detail has been provided in note 5.

Finance costs

Net costs of £5.4m in the year (2018 restated: £5.8m) include the costs relating to Group's capital structure prior to Admission to AIM. As the debt associated with this capital structure was repaid at Admission, there will be a significant reduction in net finance costs moving forwards.

Taxation

The total taxation charge was £2.0m giving rise to an effective rate of tax of -19.7% (2018 restated: 76.8%). The effective rate of tax in 2018 was higher than the UK standard rate of taxation as a result of the impact of corporate interest rate deductions disallowed for taxation purposes. The same principle applies in the current year, but the impact of this is offset by the tax treatment of the exceptional item relating to Facilisgroup deferred consideration for which no tax deduction is available. Both these items relate to the Group's debt structure prior to IPO, in future years we would expect the Group's effective rate of tax to move closer to the UK Corporation tax rate although this will be impacted by the amount of profit the Group earns in overseas jurisdictions where rates are higher than the UK.

Earnings per share

The earnings per share analysis in note 8 covers three metrics, adjusted earnings per share (profit before amortisation of acquired intangibles and exceptional items less net finance costs and taxation divided by the number of shares in issue post admission on 5 December 2019), proforma earnings per share (profit attributable to equity holders divided by the number of shares in issue post admission on 5 December 2019) 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 before amortisation of acquired intangibles and exceptional items less net finance costs and taxation divided by the weighted average number of shares in issue post admission on 5 December 2019) was £4.7m (2018 restated: £1.5m) resulting in a 205 per cent increase in adjusted basic earnings per share from 0.92 pence per share to 2.81 pence per share. Proforma basic earnings per share (profit attributable to equity holders divided by the weighted average number of shares in issue post admission on 5 December 2019) was a loss of 7.36 pence per share (2018: gain of 0.18 pence per share). This is the impact of the treatment of deferred payments on the Facilisgroup acquisition as discussed above.

Dividends

In line with the Group's dividend policy set out at IPO, the Directors do not intend to declare a dividend in respect of 2019. At IPO, the Group stated its intention to pay dividends to shareholders in respect of the full year ending 31 December 2020 in an aggregate annual amount equivalent to approximately 30 per cent of net profits, retaining the balance of earnings from operations to finance the future expansion of the Group. The Board will review the decision to pay a dividend in FY20, as the full impact of COVID-19 on the Group's operations becomes clearer, and will provide an update in the Company's Half Yearly Results, scheduled for announcement in September 2020.

Cashflow

The Group had a cash balance of £8.9m at 31 December 2019 (2018: £8.2m). Of this cash, £2.8m related to proceeds received from the IPO that were left behind by the selling shareholders.

Cashflow for the year is set out below.

	2019	2018 Restated	***Variance***
Adjusted EBITDA	**£15.2m**	£10.1m	***£5.1m***
Movement in working capital	**£1.1m**	£(1.4)m	***£2.5m***
Capital expenditure	**£(2.1)m**	£(1.2)m	***£(0.9)m***
Adjusted operating cash flow	**£14.2m**	£7.5m	***£6.7m***
Tax paid	**£(2.5)m**	£(1.0)m	***£(1.5)m***
Net finance cash flows	**£7.8m**	£7.4m	***£0.4m***
Acquisitions and financing	**£(1.3)m**	£(10.2)m	***£8.9m***
Exceptional items	**£(17.3)m**	£(1.3)m	***£(16.0)m***
Exchange loss	**£(0.2)m**	£(0.5)m	***£0.3m***
Net cash flow	**£0.7m**	£1.9m	***£(1.2)m***

Adjusted operating cashflow

Operating cashflow before tax payments, net finance costs, payments in respect of acquisitions and exceptional items increased by £6.7m in the year to £14.2m, representing Adjusted EBITDA to operating cashflow conversion of 93.4% (2018: 74.3%). This includes £1.1m IPO related accruals adjusting for this the underlying operating cash flow conversion was 86.2% (2018: 74.3%). This is an important metric for the Group that is monitored consistently to ensure it remains strong whilst retaining an appropriate level of investment in capital expenditure to support future growth. Group investing and exceptional cash outflows relate principally to the settlement of third party debt and financing facilities outstanding at the time of IPO.

Balance Sheet and shareholders' funds

Net assets increased in the year by £66.3m. The principle reason for this was the Group's IPO, which resulted in all debt being repaid to previous stakeholders. The balance sheet is summarised below.

	2019	2018 Restated	***Variance***
Non-current assets	**£54.6m**	£53.6m	***£1.0m***
Working capital	**£5.9m**	£5.7m	***£0.2m***
Cash	**£8.9m**	£8.2m	***£0.7m***
Borrowings	**£(6.3)m**	£(70.3)m	***£64.0m***
Other net assets/(liabilities)	**£(0.2)m**	£(0.6)m	***£0.4m***
Net assets/(liabilities)	**£62.9m**	£(3.4)m	***£66.3m***

Non current assets

Non current assets are the most significant balance sheet category of which £35.9m (2018 restated: £36.0m) is goodwill arising on previous acquisitions. Non current assets also include £9.8m (2018: £10.6m) of customer relationship intangible assets, £4.5m (2018 restated: £4.0m) of software development costs and £6.1m (2018: £4.8m) of PPE. Software development costs arise from ongoing investment in Group software to ensure the technology services supplied to its customers remain market leading and differentiated from our competitors. The costs are capitalised in accordance with IAS 38 and amortised over the period which the Group expects to generate benefit from the development. As the Group pursues its strategic objectives to accelerate the growth of Facilisgroup, we expect this investment to increase in the short term.

Working capital

Working capital has reduced in the year as current liabilities include £2.8m of fees and debt like items arising on IPO that will be settled during 2020.

Cash

Cash balances at 31 December 2019 were £8.9m, an increase of £0.7m on 2018. This includes £2.8m of cash left in the business to settle debt like items and fees arising at IPO.

Borrowings

Borrowings reduced significantly in the year, as all debt was settled at IPO. The balance of £6.3m outstanding at 31 December 2019 represents amounts due in respect of leases utilised by the Group brought onto the balance sheet on adoption of IFRS 16.

Post year end activity

Actions to mitigate the impact of COVID-19

As a result of the impact of the COVID-19 pandemic on the Corporate Programmes business, a number of cost saving measures have been implemented to support the business as it navigates through this unprecedented challenge.

Wherever possible, advantage has been taken of government support offered in the territories within which we operate and employees have been furloughed, in areas of the business where activity levels mean this course of action is necessary. In addition, costs have been reduced further through temporary salary reductions for Brand Addition staff earning over specified salary levels who remain in work. This includes The Pebble Group Board. The percentage of salary reduction is weighted by salary banding and seniority with the lower paid taking no salary reduction and the Board taking the greatest reduction.

All non-essential revenue expenditure has been cancelled, along with non-committed capital expenditure.

Management has taken this action to ensure the business is able to emerge positively as the effects of the pandemic start to subside. The cost reduction measures amount to a saving of c.£0.5m per month, effective from the beginning of April 2020. The level of mitigation required will be kept under close review and, if necessary, further actions will be taken.

Cash

The Group has cash balances of £9.9m at 7 April 2020, which includes an amount of £7.7m drawn down on 26 March 2020, leaving a further £1.3m available in addition to amounts remaining to cover ancillaries of the Company's £10m committed revolving credit facility.

Use of non-GAAP measures in the Group financial statements

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

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

Adjusted EBITDA
Adjusted EBITDA means operating profit before depreciation, amortisation and exceptional items.

Adjusted operating profit
Adjusted operating profit means operating profit before amortisation of acquired intangible assets and exceptional items.

Adjusted profit before tax
Adjusted profit before tax means profit before tax before amortisation of acquired intangible assets and exceptional items.

Adjusted earnings per share
Adjusted EPS represents Adjusted Earnings divided by a weighted average number of shares in issue post Admission on 5 December 2019 this has been applied retrospectively to the number of shares in issue at 31 December 2018 and is disclosed to indicate the underlying profitability of the Group.

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

Claire Thomson
Chief Financial Officer

Consolidated Income statement
For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £'000	Year ended 31 December 2018 Restated £'000
Revenue	4	107,163	92,957
Cost of goods sold		(67,107)	(64,827)
Gross profit		**40,056**	**28,130**
Operating expenses		(27,585)	(19,650)
Operating expenses – exceptional	5	(17,338)	(1,303)
Total operating expenses		**(44,923)**	**(20,953)**
Operating (loss)/profit		**(4,867)**	**7,177**
Analysed as:			
Adjusted EBITDA[1]		15,172	10,109
Depreciation	10	(1,246)	(1,013)
Amortisation	9	(1,455)	(569)
Exceptional items	5	(17,338)	(1,303)
Private equity monitoring costs	5	-	(47)
Total operating (loss)/profit		**(4,867)**	**7,177**
Finance expense	6	(5,426)	(5,843)
(Loss)/profit before taxation		**(10,293)**	**1,334**
Income tax expense	7	(2,032)	(1,025)
(Loss)/profit for the year		**(12,325)**	**309**
Basic and diluted (loss)/earnings per share	8	**(12.56)p**	**0.34p**

Note 1: Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, exceptional items and private equity monitoring costs 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 2019

	Note	Year ended 31 December 2019	Year ended 31 December 2018 Restated
		£'000	£'000
Items that may be subsequently reclassified to profit and loss			
Foreign operations – foreign currency translation differences		(569)	152
Other comprehensive (expense) / income for the year		**(569)**	**152**
(Loss)/profit for the year		(12,325)	309
Total comprehensive (expense)/income for the year		**(12,894)**	**461**

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	As at 31 December 2019	As at 31 December 2018 Restated
		£'000	£'000
ASSETS			
Non-current assets			
Intangible assets	9	50,167	50,548
Property, plant and equipment	10	6,081	4,794
Deferred tax assets		167	269
Total non-current assets		**56,415**	**55,611**
Current assets			
Inventories		7,952	7,450
Trade and other receivables		25,544	26,625
Cash and cash equivalents		8,861	8,150
Total current assets		**42,357**	**42,225**
TOTAL ASSETS		**98,772**	**97,836**
LIABILITIES			
Non-current liabilities			
Borrowings		-	64,007
Lease liability		5,502	4,248
Deferred tax liabilities		1,816	1,978
Total non-current liabilities		**7,318**	**70,233**
Current liabilities			
Borrowings		-	1,192
Lease liability		838	899
Trade and other payables		27,569	28,317
Current tax liabilities		149	608
Total current liabilities		**28,556**	**31,016**
TOTAL LIABILITIES		**35,874**	**101,249**
NET ASSETS/(LIABILITIES)		**62,898**	**(3,413)**
Equity and Reserves			
Share capital		1,800	58
Share premium		78,451	942
Merger reserve		(103,581)	-
Translation reserve		(896)	(327)
Retained earnings/ (accumulated losses)		87,124	(4,086)
TOTAL EQUITY		**62,898**	**(3,413)**

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital	Share premium	Merger reserve	Translation reserve	(Accumulated losses)/ Retained earnings	**Total equity**
	£'000	£'000	£'000	£'000	£'000	**£'000**
At 1 January 2018	**58**	**942**	**-**	**(479)**	**(4,395)**	**(3,874)**
Profit for the year (restated)	-	-	-	-	309	**309**
Other comprehensive income for the year	-	-	-	152	-	**152**
Total comprehensive income	**-**	**-**	**-**	**152**	**309**	**461**
At 31 December 2018 (Restated)	**58**	**942**	**-**	**(327)**	**(4,086)**	**(3,413)**
Loss for the year	**-**	**-**	**-**	-	(12,325)	**(12,325)**
Other comprehensive expense for the year	**-**	**-**	**-**	(569)	-	**(569)**
Total comprehensive expense	**-**	**-**	**-**	**(569)**	**(12,325)**	**(12,894)**
Issue of shares in year	58	-	105,236	-	-	**105,294**
Group reorganisation	(58)	(942)	(104,294)	-	-	**(105,294)**
Bonus issue of shares	104,523	-	(104,523)	-	-	**-**
Capital reduction	(103,535)	-	-	-	103,535	**-**
New shares issued on IPO	754	78,451	-	-	-	**79,205**
Total transactions with owners recognised in equity	**1,742**	**77,509**	**(103,581)**	**-**	**103,535**	**79,205**
At 31 December 2019	**1,800**	**78,451**	**(103,581)**	**(896)**	**87,124**	**62,898**

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	Year ended 31 December 2019	Year ended 31 December 2018
		£'000	£'000
Operating (loss)/profit		(4,867)	7,177
Adjustments for:			
- Amortisation	9	1,455	569
- Depreciation	10	1,246	1,013
- Loss on disposal of fixed assets		18	-
Cash flows from operating activities before changes in working capital		**(2,148)**	**8,759**
- Change in inventories		(502)	203
- Change in trade receivables		1,081	(2,689)
- Change in trade payables		545	1,124
Cash flows from operating activities		**(1,024)**	**7,397**
- Income taxes paid		(2,486)	(979)
Net cash flows from operating activities		**(3,510)**	**6,418**
Cash flows from investing activities			
- Purchase of property, plant and equipment	10	(603)	(633)
- Purchase of intangible assets	9	(1,483)	(602)
- Acquisition of subsidiaries and net cash outflows on change in ownership	12	(1,293)	(10,223)
Net cash flows used in investing activities		**(3,379)**	**(11,458)**
Cash flows from financing activities			
- Repayment of borrowings		(62,312)	(784)
- Lease payments		(1,190)	(1,066)
- Interest paid		(7,894)	(1,680)
- Receipts from new secured loan facilities		-	11,580
- Debt issue cost		-	(672)
- Ordinary shares issued		79,205	-
Net cash flows from financing activities		**7,809**	**7,378**
NET CASH FLOWS		**920**	**2,338**
Cash and cash equivalents at beginning of year		8,150	6,288
Effect of exchange rate fluctuations on cash held		(209)	(476)
Cash and cash equivalents at end of year		**8,861**	**8,150**

Notes to the Group Financial Statements

1. GENERAL INFORMATION

The principal activity of The Pebble Group plc (formerly The Pebble Group Limited) (the "Company") is that of a holding company and the principal activity of the Company and its subsidiaries (the "Group") is the sale of products, services and technology to the promotional merchandise industry. The Group has two segments, Brand Addition and Facilisgroup. For Brand Addition this is the sale of promotional product internationally, to many of the world's best-known brands and for Facilisgroup the provision of technology, consolidated buying power and community learning and networking events to SME promotional product distributors in North America, its Partners, through subscription-based services.
The Company was incorporated on 27 September 2019 in the United Kingdom and is a public company limited by shares registered in England and Wales. The registered office of the Company is Broadway House, Trafford Wharf Road, Trafford Park, Manchester, England, M17 1DD. The company registration number is 12231361.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The financial information contained within this announcement has been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRS Interpretations Committee (IFRS IC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information set out within this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2019 or 31 December 2018 within the meaning of Section 434 of the Companies Act 2006 but is derived from those accounts.

Forward Looking Statements

Certain statements in these condensed consolidated financial statements constitute forward-looking statements. Any statement in this document that is not a statement of historical fact including, without limitation, those regarding the Group's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in these condensed consolidated financial statements. As a result, you are cautioned not to place reliance on such forward-looking statements. Nothing in this document should be construed as a profit forecast.

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

Initial public offering ("IPO")

The Company's shares were admitted to trading on the Alternative Investment Market ("AIM"), a market operated by the London Stock Exchange, on 5 December 2019. These financial statements are the Company's first subsequent to its admission to AIM. In connection with the admission to AIM, the Group undertook a Group reorganisation of its corporate structure which resulted in the Company becoming the ultimate holding company of the Group. Prior to the reorganisation the ultimate holding company was The Pebble Group (Holdings) Limited. The transaction was accounted for as a capital reorganisation rather than a reverse acquisition since it did not meet the definition of a business combination under IFRS 3. In a capital reorganisation, the consolidated financial statements of the Group reflect the predecessor carrying amounts of The Pebble Group (Holdings) Limited with comparative information of The Pebble Group (Holdings) Limited presented for all periods since no substantive economic changes have occurred.

Group reorganisation

The principal steps of the Group reorganisation were as follows:

The Company was incorporated on 27 September 2019 as a private company limited by shares in England and Wales, with the allotment of 1 share of £1.
On 5 November 2019:

- The one ordinary share of £1.00 in issue was subdivided and re-designated as 100 B ordinary shares of £0.001 each; and
- The Company allotted and credited as fully paid 13,711,749 A preference shares of £0.00001 each, 599,417 B preference shares of £0.00001 each, 7,882,522 A ordinary shares of £0.005 each, 210,991 B ordinary shares of £0.01 each, 726,475 C1 ordinary shares of £0.01 each and 931,253 C2 ordinary shares of £0.01 each in exchange for the entire issued share capital of The Pebble Group (Holdings) Limited pursuant to an exchange agreement entered into between the Company and the then shareholders of The Pebble Group (Holdings) Limited.

On 21 November 2019, the Company allotted, by way of a bonus issue, an aggregate of:

- 14,180,657,078 A ordinary shares of £0.005 each;
- 379,752,709 B ordinary shares of £0.01 each;
- 1,306,928,525 C1 ordinary shares of £0.01 each; and
- 1,675,324,147 C2 ordinary shares of £0.01 each

to the existing shareholders of the Company, at a rate of 1,799 new ordinary shares of the relevant class in the capital of the Company for each ordinary share of that class held at that time.

On 21 November 2019, by ordinary resolution:

- The 14,188,539,600 A ordinary shares of £0.005 each in issue were consolidated into 70,942,698 A ordinary shares of £1.00 each;
- The 379,963,800 B ordinary shares of £0.01 each in issue were consolidated into 1,899,819 B ordinary shares of £2.00 each;
- The 1,307,655,000 C1 ordinary shares of £0.01 each in issue were consolidated into 6,538,275 C1 ordinary shares of £2.00 each; and
- The 1,676,255,400 C2 ordinary shares of £0.01 each in issue were consolidated into 8,381,277 C2 ordinary shares of £2.00 each.

Again on 21 November 2019, the Company, as a private company limited by shares at the time, undertook a reduction of share capital by way of solvency statement in accordance with sections 641 to 644 of the Companies Act. The reduction of capital reduced the amount standing to the credit of the Company's share capital by:

- Cancelling 99p of the paid-up capital on each A ordinary share of £1.00 and £1.98 of the paid-up capital on each B ordinary share of £2.00, C1 share of £2.00 and C2 ordinary share of £2.00; and
- Reducing the nominal value of each A ordinary share to £0.01 and each B ordinary share, C1 ordinary share and C2 ordinary share to £0.02.

On 29 November 2019 by special resolution and conditional upon Admission (which happened on 5 December 2019):

- The 70,942,698 A ordinary shares of £0.01 each in issue following the reduction of capital were converted, with effect from immediately prior to Admission, into 70,942,698 ordinary shares of £0.01 each;
- The 1,899,819 B ordinary shares of £0.02 each in issue following the reduction of capital were converted, with effect from immediately prior to Admission, into 1,937,655 ordinary shares of £0.01 each and 1,861,983 deferred shares of £0.01 each;
- The 6,538,275 C1 ordinary shares of £0.02 each in issue following the reduction of capital were subdivided and converted, with effect from immediately prior to Admission, into 8,386,329 ordinary shares of £0.01 each and 4,690,221 deferred shares of £0.01 each; and
- The 8,381,277 C2 ordinary shares of £0.02 each in issue following the reduction of capital were subdivided and converted, with effect from immediately prior to Admission, into 10,750,257 ordinary shares of £0.01 each and 6,012,297 deferred shares of £0.01 each.

On 5 December 2019 the Company issued 75,433,954 ordinary shares of £0.01 each, for consideration of £79,205,652 in an IPO, with the balance recorded as share premium. IPO costs of £3,873,000 have all been charged to the income statement.

The insertion of the Company as a new holding company by way of a share-for-share exchange constitutes a group reorganisation and the transaction is accounted for as a capital reorganisation. Under merger accounting principles, the assets and liabilities of the subsidiaries are consolidated at book value in the Group financial statements and the consolidated reserves are adjusted to reflect the statutory share capital, share premium and merger reserve of the Company as if it had always existed.

On 6 December 2019 all of the A preference shares and B preference shares were redeemed.

Restatement

The restatement at 31 December 2018 is to reflect:

(i) Work in progress treated as intangible assets rather than fixed assets (and as at 1 January 2018). The net book value reclassified as at 1 January 2018 was £1,420,000;

(ii) Re-evaluation of the provisional purchase price allocation of the 2018 Facilisgroup acquisition. Firstly to recognise a separate customer relationship intangible asset of £9,420,000 at acquisition date, with a corresponding reduction in goodwill. Secondly, to reflect an additional amount of £1,293,000 within consideration in calculating goodwill, which related to the amount due, and paid, in 2019 for the final working capital acquired and not linked to ongoing employment of the vendors (see note 9); and

(iii) Treatment of deferred payments to the vendors of Facilisgroup as post-acquisition expenses charged to profit and loss rather than forming part of the consideration payable for the acquisition. This resulted in a reduction to goodwill as reported at 31 December 2018 of £11,503,000 and a corresponding decrease of the same amount to deferred consideration and current liabilities. The deferred contingent payments required the vendors to remain in employment with the Group for the duration of the deferral period. As such, they are treated as remuneration for post-acquisition services and the cost charged to profit and loss over the deferral periods, rather than forming part of the settlement consideration. The deferred contingent payments have been charged to exceptional operating expenses in the income statement in the year ended 31 December 2019 (£13,465,000) and 31 December 2018 (£460,000).

Restatements (i) and (ii) have an impact of £nil on net assets as at 31 December 2018 and on profit before tax for the year then ended. Restatement (iii) has an adverse impact of £460,000 on the net assets as at 31 December 2018 and on profit before tax for the year then ended. The impact on earnings per share for the year ended 31 December 2018 was a reduction 0.50p.

(b) Going concern

The Group meets its day-to-day working capital requirements through its own cash balances and committed banking facilities. In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for the two years ending 31 December 2021.

The outbreak of the COVID-19 pandemic and in particular its impact on the Corporate Programmes business within the Group has necessitated that these projections address a number of different scenarios of increasing severity in order to confirm that under each one, the Group can continue to operate as a Going Concern. These scenarios included assessing the impact of a material reduction of sales in all areas of the Group and in particular the Corporate Programmes business.

The cost saving actions taken to date by the Directors as applied to all scenarios assessed under this analysis demonstrated that the Group had sufficient liquidity and headroom against covenants to continue to operate as a Going Concern. The analysis also identified that if actual outcomes were below Management's expectations then there were additional actions that the Directors could take, in relation to the Corporate Programmes business (including either significantly reduced levels or temporary suspension of operations), or more widely if necessary, to further reduce costs and rebase Group overheads to a level appropriate to a new run rate of sales at the point this becomes established. The Directors acknowledge that these actions may be required in the medium term to protect Group overall profitability and specifically those parts of the Group less affected by the pandemic.

Taking account of all scenarios modelled and their impact on trading performance, all forecasts and projections show that the Group is expected to have headroom against covenants and a sufficient level of financial resources available through existing facilities when the future funding requirements of the Group are compared with the level of committed available facilities. Based on this, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group and Company financial statements. On 19 March, as a precautionary measure to ensure the Group has access to cash during this period, £7.7m of the Group's £10m committed revolving credit facility was drawn down leaving a further £1.3m available in addition to amounts remaining to cover ancillaries..

(c) New standards, amendments and interpretations

There are no new and revised IFRSs that have been issued but are not yet effective that are expected to have a material impact on the financial statements in future periods and have therefore not been noted.

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 to the Group financial statements.

(d) 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.

(e) Revenue

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

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

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

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

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

Brand Addition sale of promotional product

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

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

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

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

(f) EBITDA and Adjusted EBITDA

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

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

(g) Exceptional items

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

(h) Taxation

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

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

(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 9.

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 in use, assets will be re-categorised 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) Tangible assets and depreciation

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

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

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

(k) Segmental reporting

The Group reports its business activities in two areas being the:

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

This is reported in a manner consistent with the internal reporting to the Board of directors, which has been identified as the chief operating decision maker. The Board of directors consists of the Executive Directors and the Non-Executive Directors.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Accounting estimates

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

Goodwill impairment

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

Goodwill relates to the various acquisitions made and amounts to £35,882,000 as at 31 December 2019. The estimates used in the impairment calculation are set out in Note 9.

Valuation of acquired intangibles

IFRS 3 requires separately identifiable intangible assets to be recognised on acquisitions. During the year, the Directors finalised their previously preliminary assessment of fair value of assets and liabilities acquired of Facilisgroup. A separate customer relationships intangible asset was recognised. The principal estimates used in valuing this intangible asset are the future cash flows estimated to be generated from these contracts, expected customer attrition, growth in revenues and the selection of appropriate discount rates to apply to the cash flows. The Directors' assessment of these estimates was based on up to date information and evidence available at the time of finalising the valuation.

Useful economic lives of intangible assets

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

Useful economic lives of property, plant and equipment

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

(b) Accounting judgements

Judgements in applying accounting policies and key sources of estimation uncertainty

The following are the areas requiring the use of judgement that may significantly impact the Group financial statements:

Capitalisation of internal development costs

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

Capitalised development expenditure is analysed further in Note 9.

4. SEGMENTAL ANALYSIS

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

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

Segment information about the above businesses is presented below.

The Board assesses the performance of the operating segments based on Adjusted EBITDA. Finance income and costs are not included in the segment result that is assessed by the Board and the majority of finance costs are borne by centrally managed group holding companies. Other information provided to the Board is measured in a manner consistent with that in the financial statements. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment assets exclude centrally held cash at bank and in hand. Segment liabilities exclude IPO related items that are held centrally.

Major customers

In 2019 there was 1 major customer that individually accounted for at least 10 per cent. of total revenues (2018: 1 customer). The revenues relating to this customer in 2019 were £13,073,000 (2018: £15,069,000) and related to the Brand Addition segment.

Analysis of revenue by geographical destination

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
United Kingdom	30,162	28,089
Continental Europe	31,805	28,840
America	31,616	20,366
Rest of World	13,580	15,662
Total revenue	**107,163**	**92,957**

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

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

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
At a point in time	97,872	92,279
Over time	9,291	678
Total revenue	**107,163**	**92,957**

All non-current assets of the Group reside in the UK, with the exception of non-current assets with a net book value of £20,307,000 (Restated 2018: £19,701,000) which were located in North America and £309,000 (2018: £564,000) located in other foreign countries.

Income statement for the year ended 31 December 2019

	Brand Addition	Facilisgroup	Central Operations	Year ended 31 December 2019
	£'000	£'000	£'000	£'000
Revenue	97,872	9,291	-	107,163
Cost of goods sold	(67,107)	-	-	(67,107)
Gross profit	**30,765**	**9,291**	**-**	**40,056**
Operating expenses	(21,685)	(5,277)	(623)	(27,585)
Operating expenses – exceptional	-	(13,465)	(3,873)	(17,338)
Total operating expenses	**(21,685)**	**(18,742)**	**(4,496)**	**(44,923)**
Operating (loss)/profit	**9,080**	**(9,451)**	**(4,496)**	**(4,867)**
Analysed as:				
Adjusted EBITDA	10,703	5,092	(623)	15,172
Depreciation	(1,012)	(234)	-	(1,246)
Amortisation	(611)	(844)	-	(1,455)
Exceptional items	-	(13,465)	(3,873)	(17,338)
Private equity monitoring costs	-	-	-	-
Total operating (loss)/profit	**9,080**	**(9,451)**	**(4,496)**	**(4,867)**
Finance expense	(481)	(37)	(4,908)	(5,426)
(Loss)/profit before taxation	**8,599**	**(9,488)**	**(9,404)**	**(10,293)**
Income tax expense	(1,651)	(1,011)	630	(2,032)
(Loss)/profit for the year	**7,578**	**(10,499)**	**(9,404)**	**(12,325)**

Statement of Financial Position as at 31 December 2019

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

Income statement for the year ended 31 December 2018

	Brand Addition	Facilisgroup	Central Operations	Year ended 31 December 2018 Restated
	£'000	£'000	£'000	£'000
Revenue	92,279	678	-	92,957
Cost of goods sold	(64,827)	-	-	(64,827)
Gross profit	**27,452**	**678**	**-**	**28,130**
Operating expenses	(19,361)	(309)	20	(19,650)
Operating expenses – exceptional	(237)	(154)	(912)	(1,303)
Total operating expenses	**(19,598)**	**(463)**	**(892)**	**(20,953)**
Operating profit/(loss)	**7,854**	**215**	**(892)**	**7,177**
Analysed as:				
Adjusted EBITDA	9,560	483	67	10,109
Depreciation	(900)	(113)	-	(1,013)
Amortisation	(569)	-	-	(569)
Exceptional items	(237)	(154)	(912)	(1,303)
Private equity monitoring costs	-	-	(47)	(47)
Total operating profit/(loss)	**7,854**	**215**	**(892)**	**7,177**
Finance expense	(481)	-	(5,632)	(5,843)
Profit/(loss) before taxation	**7,372**	**215**	**(6,254)**	**1,334**
Income tax expense	(1,396)	(97)	468	(1,025)
Profit/(loss) for the year	**6,444**	**118**	**(6,254)**	**309**

Statement of Financial Position as at 31 December 2018

	Brand Addition	Facilisgroup	Central Operations	As at 31 December 2018 Restated
	£'000	£'000	£'000	£'000
ASSETS				
Non-current assets				
Intangible assets	37,508	13,040	-	50,548
Property, plant and equipment	3,831	963	-	4,794
Deferred tax assets	269	-	-	269
Total non-current assets	**41,608**	**14,003**	**-**	**55,611**
Current assets				
Inventories	7,450	-	-	7,450
Trade and other receivables	25,301	1,266	58	26,625
Cash and cash equivalents	5,892	1,438	820	8,150
Total current assets	**38,643**	**2,704**	**878**	**42,225**
TOTAL ASSETS	**80,251**	**16,707**	**878**	**97,836**
LIABILITIES				
Non-current liabilities				
Borrowings	-	-	64,007	64,007
Lease liability	3,780	468	-	4,248
Deferred tax liability	-	1,978	-	1,978
Total non-current liabilities	**3,780**	**2,446**	**64,007**	**70,233**
Current liabilities				
Borrowings	-	-	1,192	1,192
Lease liability	793	106	-	899
Trade and other payables	24,457	711	3,149	28,317
Current tax liabilities	475	153	(20)	608
Total current liabilities	**25,725**	**970**	**4,321**	**31,016**
TOTAL LIABILITIES	**29,505**	**3,416**	**68,328**	**101,249**
NET ASSETS / (LIABILITIES)	**50,746**	**13,291**	**(67,450)**	**(3,413)**

5. OPERATING EXPENSES – EXCEPTIONAL

	Year ended 31 December 2019	Year ended 31 December 2018 Restated
	£'000	£'000
Reorganisation and restructuring	-	175
Transaction and IPO related costs	3,873	668
Contingent consideration payments to vendors of Facilisgroup	13,465	460
Total transaction and IPO related items	17,338	1,128
	17,338	**1,303**
Private equity monitoring costs	-	47

Exceptional items relate to the following:

- Reorganisation and restructuring - costs were incurred in relation to relocation of some of the Group's operations in Germany to the UK during 2017 and 2018;
- Transaction and IPO related costs - incremental external costs related to the acquisition in 2018 and IPO in 2019 and which relate to professional fees, the write off of unamortised loan note fees as of the date of the IPO, and IPO related bonus payments; and
- The sale and purchase agreement for the acquisition of Facilisgroup in December 2018 detailed deferred payments to be made to the vendors for the sale of the shares. These payments required the vendors to remain in employment with the Group for the duration of the 24-month deferral period. Hence, they are treated as remuneration for post-acquisition services and the cost charged to profit and loss over the deferral period. All the deferred payments were settled in full prior to Admission. The deferred contingent payments required the vendors to remain in employment with the Group for the duration of the deferral period. As such, they are treated as remuneration for post-acquisition services and the cost charged to profit and loss over the deferral periods, rather than forming part of the settlement consideration. The deferred contingent payments have been charged to exceptional operating expenses in the income statement in the year ended 31 December 2019 (£13,465,000) and 31 December 2018 (£460,000).

Private equity costs include monitoring and other fees that will not be incurred post-IPO.

6. FINANCE EXPENSE

An analysis is set out below:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Bank loans	1,041	1,020
Other loans	2,939	2,083
Preference shares	1,562	1,524
Other interest	253	86
Amortisation of debt issue costs up to IPO date	412	343
Net foreign exchange (gain)/ loss on revaluation of debt	(1,200)	455
Unwind of discount on lease liabilities	419	332
Total finance expense	**5,426**	**5,843**

7. INCOME TAX EXPENSE

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Current income tax		
- UK Corporation tax charge for the year	472	399
- Adjustments in respect of prior years	(85)	-
- Foreign tax	1,639	645
Total current income tax	**2,026**	**1,044**
Deferred tax		
- Deferred tax	6	(19)
Total deferred tax	**6**	**(19)**
Total income tax expense	**2,032**	**1,025**

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

Analysis of charge in year	Year ended 31 December 2019	Year ended 31 December 2018 Restated
	£'000	£'000
Reconciliation of total tax charge:		
(Loss)/profit before taxes	(10,293)	1,334
(Loss)/profit on ordinary activities multiplied by the rate of corporation tax in the UK of 19% (2018: 19%)	**(1,956)**	**253**
Effects of:		
Adjustments in respect of prior years	(85)	-
Non-deductible expenses and interest expense	3,586	524
Differences in tax rates in overseas jurisdictions	313	178
Losses carried forward to future periods (not recognised for deferred tax)	276	78
Utilisation of unrecognised deferred tax brought forward	(102)	(8)
Total income tax expense	**2,032**	**1,025**

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% from 1 April 2020 would no longer happen and that rates would remain at 19% for the foreseeable future. The new law was substantively enacted by a resolution under the Provisional Collection of Taxes Act 1968 on 17 March 2020.

8. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year. As at 31 December 2019, no instruments with a potential or actual dilutive impact were in issue and therefore diluted EPS is the same as basic EPS.

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

Statutory EPS

	Year ended 31 December 2019	Year ended 31 December 2018 Restated
Earnings (£'000)		
(Loss)/Earnings for the purposes of basic earnings per share being profit for the year attributable to equity shareholders	(12,325)	309
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	97,390,317	92,016,939
Basic and diluted (loss)/ earnings per ordinary share (pence)	(12.56)	0.34

Pro-forma EPS

The calculation of proforma earnings per share is based on the weighted average number of shares in issue post Admission on 5 December 2019. This has been applied retrospectively to the number of shares in issue at 31 December 2018 and the metric has been restated to ensure that the adjusted earnings per share figures are comparable over the two periods.

	Year ended 31 December 2019	Year ended 31 December 2018 Restated
Earnings (£'000)		
(Loss)/Earnings for the purposes of basic earnings per share being profit for the year attributable to equity shareholders	(12,325)	309
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	167,450,893	167,450,893
Basic and diluted pro-forma (loss)/ earnings per ordinary share (pence)	(7.36)	0.18

Adjusted EPS

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

The weighted average number of shares uses the number of shares in issue post Admission on 5 December 2019. This has been applied retrospectively to the number of shares in issue at 31 December 2018 (on the same basis as pro-forma EPS above) and the metric has been restated to ensure that the adjusted earnings per share figures are comparable over the two periods.

	Year ended 31 December 2019	Year ended 31 December 2018 Restated
Earnings (£'000)		
Earnings for the purposes of basic earnings per share being adjusted earnings	4,702	1,543
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	167,450,893	167,450,893
Basic and diluted adjusted earnings per ordinary share (pence)	2.81	0.92

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

	Year ended 31 December 2019	Year ended 31 December 2018 Restated
	£'000	£'000
(Loss)/profit for the period attributable to equity shareholders	(12,325)	309
Add back/(deduct):		
Amortisation charge on acquired intangible assets	525	66
Exceptional items	17,338	1,303
Private equity monitoring costs	-	47
Tax effect of the above	(836)	(182)
Adjusted earnings	4,702	1,543

9. INTANGIBLE ASSETS

	Goodwill	Customer relationships	Software & Development costs	Work in progress	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 January 2018 (restated)	**32,981**	**1,331**	**6,894**	**1,420**	**42,626**
Acquisitions (restated)	2,977	9,420	643	-	13,040
Additions (restated)	-	-	602	487	1,089
Reclassifications (restated)	-	-	474	(474)	-
Balance at 31 December 2018 (restated)	**35,958**	**10,751**	**8,613**	**1,433**	**56,755**
FX difference on translation	(76)	(314)	(37)	-	(427)
Additions	-	-	1,184	299	1,483
Reclassifications	**-**	-	1,396	(1,396)	-
Balance at 31 December 2019	**35,882**	**10,437**	**11,156**	**336**	**57,811**
Accumulated amortisation					
Balance at 1 January 2018	-	44	5,594	-	5,638
Charge for year	-	66	503	-	569
Balance at 31 December 2018	-	110	6,097	-	6,207
FX difference on translation	-	-	(18)	-	(18)
Charge for year	-	525	930	-	1,455
Balance at 31 December 2019	**-**	**635**	**7,009**	**-**	**7,644**
Net Book Value					
At 31 December 2017 (restated)	32,981	1,287	1,300	1,420	36,988
At 31 December 2018 (restated)	35,958	10,641	2,516	1,433	50,548
At 31 December 2019	**35,882**	**9,802**	**4,147**	**336**	**50,167**

Personnel costs of £961,000 (2018: £464,000) have been capitalised as intangible assets.

The restatement at 31 December 2018 is to reflect:

(i) Work in progress treated as intangible assets rather than fixed assets (and as at 1 January 2018). The net book value reclassified as at 1 January 2018 was £1,420,000;
(ii) Re-evaluation of the provisional purchase price allocation of the 2018 Facilisgroup acquisition. Firstly to recognise a separate customer relationship intangible asset of £9,420,000 at acquisition date, with a corresponding reduction in goodwill. Secondly, to reflect an additional amount of £1,293,000 within consideration in calculating goodwill, which related to the amount due, and paid, in 2019 for the final working capital acquired and not linked to ongoing employment of the vendors.; and
(iii) Treatment of deferred payments to the vendors of Facilisgroup as post-acquisition expenses charged to profit and loss rather than forming part of the consideration payable for the acquisition. This resulted in a reduction to goodwill as reported at 31 December 2018 of £11,503,000 and a corresponding decrease of the same amount to deferred consideration and current liabilities. The deferred contingent payments required the vendors to remain in employment with the Group for the duration of the deferral period. As such, they are treated as remuneration for post-acquisition services and the cost charged to profit and loss over the deferral periods, rather than forming part of the settlement consideration. The deferred contingent payments have been charged to exceptional operating expenses in the income statement in the year ended 31 December 2019 (£13,465,000) and 31 December 2018 (£460,000).

The acquisition relates to the acquisition of the Facilisgroup companies in December 2018.

The remaining amortisation periods for Customer relationships is between 17 - 19 years (2018: 18 - 20 years) and for software and development costs between 1 and 3 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 cash generating unit. The value in use calculations were based on projected cash flows in perpetuity. Budgeted cash flows for 2020 to 2024 were used. These were based on a three-year forecast with growth rates of 7% (Facilisgroup) to 8% (Brand Addition) applied for the following two years. Subsequent years were based on a reduced rate of growth of 3.0% into perpetuity.

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

The Directors used an estimated market pre-tax weighted average cost of capital ("WACC") of 12.4% to discount the cash flows used for the Brand Addition and 13% for Facilisgroup CGUs. The value in use calculations described above, together with sensitivity analysis using reasonable assumptions, indicate significant headroom and therefore do not give rise to impairment concerns.

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

Goodwill is attributable to the following segments:

	As at 31 December 2019	As at 31 December 2018 Restated
	£'000	£'000
Brand Addition	32,981	32,981
Facilisgroup	2,901	2,977
	35,882	35,958

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property	Fixtures and fittings	Computer hardware	Right of Use Assets	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Cost					
Balance at 1 January 2018 (restated)	**1,000**	**2,206**	**1,678**	**7,993**	**12,877**
Impact of foreign exchange translation	13	(2)	3	-	**14**
Acquisitions	190	118	272	638	**1,218**
Additions (restated)	13	50	100	70	**233**
Disposals	(17)	-	-	-	**(17)**
Reclassifications	-	(7)	7	-	**-**
Balance at 31 December 2018 (restated)	**1,199**	**2,365**	**2,060**	**8,701**	**14,325**
Impact of foreign exchange translation	2	(54)	(20)	(145)	**(217)**
Additions	49	293	261	2,101	**2,704**
Disposals	**-**	-	(26)	(151)	**(177)**
Balance at 31 December 2019	**1,250**	**2,604**	**2,275**	**10,506**	**16,635**
Accumulated depreciation					
Balance at 1 January 2018	**781**	**1,998**	**1,505**	**3,973**	**8,257**
Impact of foreign exchange translation	13	(2)	3	-	**14**
Acquisitions	15	12	106	114	**247**
Charge for the year	115	69	112	717	**1,013**
Balance at 31 December 2018	**924**	**2,077**	**1,726**	**4,804**	**9,531**
Disposals	-	-	(22)	-	**(22)**
Impact of foreign exchange translation	5	(48)	(10)	(148)	**(201)**
Charge for the year	107	79	171	889	**1,246**
Balance at 31 December 2019	**1,036**	**2,108**	**1,865**	**5,545**	**10,554**
Net Book Value					
Balance at 31 December 2017 (restated)	219	208	173	4,020	4,620
Balance at 31 December 2018 (restated)	275	288	334	3,897	4,794
Balance at 31 December 2019	**214**	**496**	**410**	**4,961**	**6,081**
Right of use assets – net book value					
Balance at 31 December 2017	3,843	143	34	-	4,020
Balance at 31 December 2018	3,644	79	174	-	3,897
Balance at 31 December 2019	4,800	21	140	-	4,961

The restatement at 31 December 2018 is to reflect work in progress treated as intangible assets rather than fixed assets (and as at 1 January 2018).

11. ANALYSIS AND RECONCILIATION OF NET DEBT

	1 January 2018	Acquisitions	Other non-cash changes	Cashflow	31 December 2018
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	6,288	-	(476)	2,338	8,150
Current borrowings	(1,517)	(106)	(2,318)	1,850	(2,091)
Non-current borrowings	(55,699)	(468)	(1,180)	(10,908)	(68,255)
Net debt (restated)	**(50,928)**	**(574)**	**(3,974)**	**(6,720)**	**(62,196)**

	1 January 2019	Acquisitions	Other non-cash changes	Cashflow	31 December 2019
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	8,150	-	(209)	920	8,861
Current borrowings	(2,091)	-	(1,046)	2,299	(838)
Non-current borrowings	(68,255)	-	(5,687)	68,440	(5,502)
Net (debt)/cash	**(62,196)**	**-**	(6,942)	71,659	**2,521**

Other non-cash changes include foreign exchange movements, accrued interest, and transfers between current and non-current borrowings.

12. BUSINESS COMBINATIONS

On 4 December 2018, the Group acquired 100% of the share capital of Facilisgroup Canada Inc, incorporated in Canada and Facilisgroup LLP, incorporated in the US. The Facilisgroup companies are subscription-based businesses, providing technology, consolidated buying power and community learning and networking events to SME distributors in the promotional products sector. The total payments to be made as assessed at the acquisition date included £11,747,000 which was paid in cash at the date of acquisition. Additional deferred payments, the amount of which were contingent upon working capital levels and EBITDA generated by the acquired group, were estimated to be worth £11,503,000 at the acquisition date.

As part of the IPO, the deferred contingent payments were settled with a final payment of £13,925,000, which was paid on 6 December 2019. Also, during 2019, an additional amount of £1,293,000 was paid representing an adjustment for the final working capital acquired and not linked to ongoing employment of the vendors. This has been included in consideration for the purposes of calculating goodwill as at 31 December 2018. Total payments for the acquired group were £26,965,000.

The deferred contingent payments required the vendors to remain in employment with the Group for the duration of the deferral period. As such, they are treated as remuneration for post-acquisition services and the cost charged to profit and loss over the deferral periods, rather than forming part of the settlement consideration. The deferred contingent payments have been charged to exceptional operating expenses in the income statement in the year ended 31 December 2019 (£13,465,000) and 31 December 2018 (£460,000).

Recognised amounts of identifiable assets and assumed liabilities are as follows:

	Book value £'000	Adjustments £'000 Restated	Fair value £'000 Restated
Tangible assets	971	-	971
Intangible assets	702	(59)	643
Intangible assets – customer relationships	-	9,420	9,420
Trade and other debtors	998	-	998
Cash	1,524	-	1,524
Trade and other creditors	(1,515)	-	(1,515)
Deferred tax on acquired intangibles	-	(1,978)	(1,978)
Total identifiable net assets	**2,680**	**7,383**	**10,063**
Goodwill as at 31 December 2018 (restated)			2,977
Total			**13,040**
Satisfied by:			
Cash consideration at the date of acquisition			11,747
Deferred consideration – working capital adjustment paid in 2019			1,293
Total consideration paid			**13,040**

13. POST BALANCE SHEET EVENTS

As referred in note 2(b), we are carefully monitoring the situation concerning COVID-19 and any impact it may have on the business. Any such impact has been treated as a non-adjusting post balance sheet event for the purpose of considering the carrying values of assets included in the balance sheet as at 31 December 2019. Given the current uncertainties, any potential financial effect cannot be estimated.