Building brands.
Growing relationships.
Strengthening businesses.

The Pebble Group

The Pebble Group plc
Annual Report 2019

Building brands. Growing relationships. Strengthening businesses.

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

Stay up to date at **thepebblegroup.com**

2012

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

2014

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

2016

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

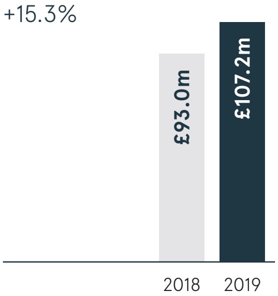
Highlights

Financial highlights

REVENUE

£107.2m

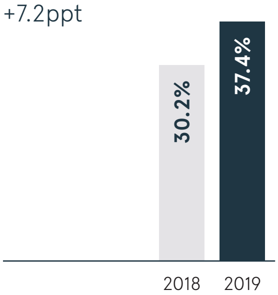
+15.3%



GROSS MARGIN

37.4%

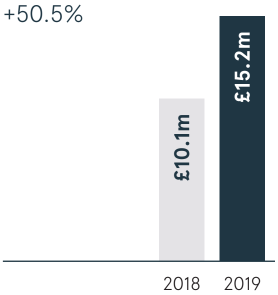
+7.2ppt



ADJUSTED EBITDA*

£15.2m

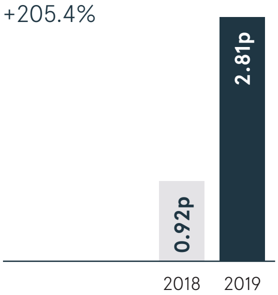
+50.5%



ADJUSTED EPS**

2.81p

+205.4%



Operational highlights

Brand Addition:

- Organic growth in revenue 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, are expected to begin invoicing in H220

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, Non-executive Director

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

** 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.

2017: Secondary management buy-out supported by Elysian Capital and Beechbrook Capital LLP. Formation of The Pebble Group as parent company to Brand Addition.

2018: Acquisition of Facilisgroup in North America saw the establishment of the Pebble Group brand and enabled it to diversify and strengthen its service offering.

2019: Admission to AIM.

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

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

brand addition.

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.

Read more on page 4

facilisgroup

Facilisgroup provides subscription-based services to SME promotional product distributors in the United States and Canada.

Read more on page 5

Investment case

Attractive market opportunity

The Group operates in the growing promotional products market, a market that the Directors estimate to be worth over $50bn globally on an annual basis and to account for approximately 10% of marketing expenditure worldwide.

Markets on page 12

Differentiated positioning within the promotional products space

We have differentiated positions in multiple segments of the market. Brand Addition is one of the relatively few businesses to service and supply global brands across multiple geographies, whereas Facilisgroup supports SME promotional product distributors in North America.

Business model on page 13

Brand Addition's strong relationships with a diversified blue-chip client base

Brand Addition has established relationships with a diversified range of global brands, most of which are long-term clients. Through its creative service offering and ability to manage the complex needs of global clients, Brand Addition has continued to increase the number of brands with whom it contracts.

Facilisgroup's long-term, deep-rooted relationships with its Partners

Facilisgroup has developed deep-rooted, long-term relationships with its Partners through the provision of cost-effective "Software as a Service" ("SaaS") -based business intelligence, buying power and community events, which enable Partners to grow their businesses and improve operational efficiency.

Where we operate

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

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

Europe

Manchester
Dublin
London
Hagen

North America

Ottawa
St. Louis

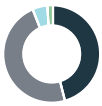
China

Guangzhou
Hong Kong
Shanghai

REVENUE BY GEOGRAPHY (%)

- Europe (58%)
- North America (30%)
- China (7%)
- RoW (5%)

EBITDA BY GEOGRAPHY (%)



- Europe (46%)
- North America (48%)
- China (5%)
- RoW (1%)

Combination of loyal client base and recurring revenues drives high quality earnings

The blue-chip client base that underpins the strong repeat revenues of Brand Addition is augmented by the recurring revenues and strong visibility of earnings generated by the Group's subscription-based offering, Facilisgroup.

Strong track record of historical financial growth

The Pebble Group has delivered a consistent record of growth.

Financial Review from page 20

The Group model is well positioned through the economic cycle

The Group is well positioned to deliver robust financial performance:

- low overall investment and high returns; and
- differentiated propositions delivering diverse income streams.

Proven, experienced, high calibre management team

The Group has a high quality senior management team with substantial industry experience. Together, the management team has helped drive the growth of The Pebble Group since its inception and has a proven track record of delivering results.

Board of Directors on page 36

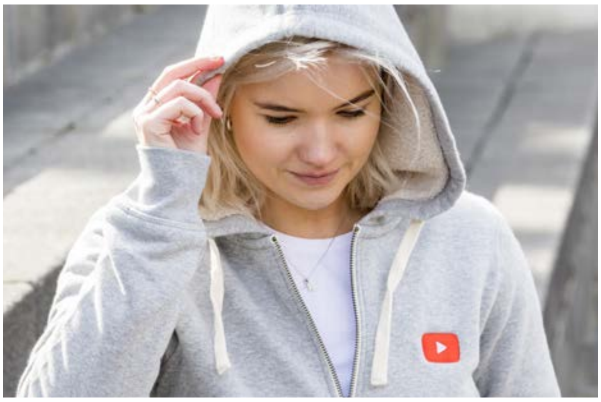
Our Group comprises two differentiated businesses, focused on specific areas.

brand addition.

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 multi-national clients who operate in sectors which include health and beauty, fast moving consumer goods, transport, technology, banking and finance and charity. Brand Addition's clients primarily comprise major global brands.

Since 2010, Brand Addition has grown to become a market leader in delivering complex services to support the corporate marketing and consumer promotions of global corporate clients. Headquartered in Manchester, Brand Addition attracts and retains global brands through its design, ethical sourcing and international distribution of promotional products from its locations in Europe, the US and Asia.

Brand Addition provides promotional products to its clients across its two main offerings: Corporate Programmes and Consumer Promotions.



Target market: Large global brands.

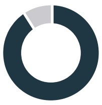
Revenue model: Margin on products for services.

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

Number of customers >£1m: 22

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

PERCENTAGE OF GROUP REVENUE (%)



91%

PERCENTAGE OF ADJUSTED EBITDA (%)

66%

Learn more at brandaddition.com

facilisgroup

Facilisgroup provides subscription-based services to SME promotional product distributors in the United States and Canada. Facilisgroup's suite of services includes business intelligence software, buying power and community events.

Established in 2004 and acquired by The Pebble Group in December 2018, Facilisgroup provides a SaaS-based platform to support the operations of SME promotional product distributors based in the United States and Canada. Facilisgroup has built a community of nearly 150 SME promotional product distributors and over 100 preferred suppliers in North America and in the year ended 31 December 2019 processed over $800m of sales (2018: $700m) in the promotional products sector. A typical Facilisgroup Partner generates between $1m and $10m of annual sales.

Facilisgroup attracts and retains Partners through its proprietary @ease software, consolidating the buying power of its Partners and developing its community of Partners and suppliers through learning and networking events. Facilisgroup generates revenue through three main pillars: subscription revenue from providing technology to its Partners; income from its suppliers for co-ordinating the consolidation of spend; and fees from suppliers for hosting community events with Partners and suppliers.

Target market: SME promotional product distributors.

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

Manages: c.$800m sales in the promotional products sector from c.150 Partners in the US and Canada.

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

Learn more at facilisgroup.com

PERCENTAGE OF GROUP REVENUE (%)

9%

PERCENTAGE OF ADJUSTED EBITDA (%)

34%

Chairman's statement

A notable year for the Group.

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 £107.2m (2018: £93.0m) and Adjusted EBITDA increased by 50.5% to £15.2m (2018: £10.1m). This transformational year concluded with the successful IPO and Admission to AIM in December 2019, when the Group raised £135m.

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.

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

Long-term vision and strategy

Our vision is to become the partner of choice for:

- global brands, which 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
8 April 2020

Chief Executive Officer's review

A step change in focus, scale and profitability.

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.

Chief Executive Officer's review
(continued)

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, c.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 remain 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 cleaning 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 the 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 their 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 (Chris) Lee
Chief Executive Officer
8 April 2020

Our markets

The promotional products market is large and growing.

TOTAL MARKET VALUE

$50bn

NORTH AMERICAN MARKET

$24.7bn

EUROPEAN MARKET

$22.6bn

The Group's management estimated this market to be worth over $50bn in 2019 (which would represent approximately 10% of global marketing expenditure), with North America and Europe representing $24.7bn and $22.6bn respectively.

Promotional products comprise an increasingly important part of a company's marketing mix, conveying a company's brand values and identity to its stakeholders. The return that promotional products deliver, in respect of brand awareness relative to the level of investment, makes them a valuable marketing and engagement tool for all businesses, particularly at times where budgets are constrained. The Directors consider the promotional products industry to be highly fragmented, typified by the large number of promotional product distributors.

Through Brand Addition, The Pebble Group looks to differentiate itself from its competition by utilising its depth of expertise and international infrastructure to provide a comprehensive and integrated service of account management, design, quality control and web stores, which meets the complex needs of global brands.

Through Facilisgroup, the Group is able to access a different segment of the market. Its subscription-based proprietary software and services support the growth and operations of North American owner-managed, sales-led SME promotional product distributors in this region. Facilisgroup's industry-focused technology platform enables Partners to improve the efficiency of their operations and understanding of the activities of their businesses.

Providing product, services and technology into the global promotional products industry.

The Group comprises two differentiated businesses, focused on specific areas of the promotional products market: Brand Addition's activities comprise the design, sourcing and delivery of creative promotional merchandise and branded products for global brands, and Facilisgroup provides subscription-based SaaS technology and services to SME distributors in the promotional products market in North America.

The industry

c.$50bn promotional products market

Our Group

The Pebble Group

Providing products, services and technology into the global promotional products industry

Building brands, growing relationships, strengthening businesses.

Our focused businesses	**Brand Addition** Products and services	**Facilisgroup** Technology and services
Target market	**Large global brands**	**SME promotional product distributors**
Services	**Design** of corporate ranges and bespoke products **Source** from ethical suppliers **Deliver** across the globe	**SaaS technology** to power efficiency and growth **Supply chain consolidation** for buying dynamism **Community** events and training
Revenue model	**Margin** on products for services	**Subscriptions** for technology **Fees** for supply chain management
Geographic hubs	Europe Asia US	US Canada

Our strategy

Becoming a partner of choice.

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

The Pebble Group has a proven track record of delivering strong organic growth, as well as growth through acquisition. The Group's strategy is to continue its profitable growth in the following ways:

Organic growth opportunities

brand addition.

Attract additional clients – Brand Addition has steadily increased the number of clients to whom it provides services, by attracting new clients and through the acquisition of Gateway CDI in 2016. The Directors believe that there is significant scope to continue this principally organic growth.

Increase spend from existing clients – Brand Addition has grown the level of spend from its existing client base. By building the trust of clients through the successful fulfilment of expectations, Brand Addition is able to create new business opportunities by extending those relationships into new geographies, as well as by increasing its market share of existing client business in Europe, the US and Asia.

facilisgroup

Attract additional Partners – Facilisgroup has consistently grown the number of Partners that use its proprietary software, through a combination of technology, supply chain power and community events, and the Directors believe that they can continue to deliver such Partner growth.

Increase the number of services offered to Partners – In addition to the current services offered to Partners, Facilisgroup is considering additional service offerings in the form of other consolidated spend areas and value-added services. Facilisgroup is considering a number of other opportunities with a view to taking advantage of its strong industry position and the highly fragmented global market.

Selective consideration of acquisitions by the Group

In addition to delivering organic growth, the Group's management has a track record of successfully identifying and executing acquisitions which have added significant value to The Pebble Group. The Directors believe that, as a result of their depth of knowledge of the promotional products market, they may identify further opportunities to grow the business through acquisitions which complement the Group's offering in the US and in Europe.

Listening to our stakeholders.

The Board is aware of and understands its duties under Section 172 of the Companies Act 2006 and that engaging with our diverse stakeholder base is key to successfully managing The Pebble Group.

As well as addressing any feedback as it arises, the Board also allocates time within its fixed agenda to consider each stakeholder group, the level and quality of engagement through the year and any outcomes required from these interactions, including any impact on the Group's principal decisions arising from the feedback.

Below we share the groups identified as our key stakeholders and how we engage with each.

Our teams

Our teams of highly talented and dedicated people across the Group in Asia, Europe and North America create a positive culture under which the business has successfully grown.

The Pebble Group takes pride in providing all the members of our teams with the opportunity to develop and grow, reaching their full potential within the business.

How we engage with our team

- Employee feedback surveys
- Investors in People programme (UK)
- Annual sales and management conferences
- Management development programme
- Employee forums and panels

Clients and Partners

Our objective at The Pebble Group is to attract and retain a quality client and Partner base from which we grow long-term relationships for the benefit of all parties.

Continual investment into our technology, services and capabilities to enhance these relationships is designed to ensure long-term value is created.

How we engage with our clients and partners

- Regular face-to-face feedback and business reviews
- Net promoter scores
- Client surveys and feedback questionnaires
- Annual feedback surveys
- Customer community events providing opportunities for shared learning experiences

Strategic suppliers

The quality of the product and services we deliver to our clients and Partners is heavily influenced by the careful management of our important supplier relationships.

Alongside seeking new supply routes to enhance our business offering we collaborate with a key group of suppliers in Asia, Europe and North America. Developing these long-term relationships builds trust and support within a partnership environment.

How we engage with our strategic suppliers

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

Shareholders and the wider investment community

As a newly listed company we are beginning our journey in the public markets.

We will advocate transparency and best practice seeking to ensure the investor community has the information it requires to make informed judgements about the Group.

How we engage with our shareholders and the wider investment community

- Face-to-face meetings prior to listing on AIM
- Face-to-face meetings or calls as requested by existing and potential shareholders
- Face-to-face meetings at the full year and interim results
- Broker, investor and analyst feedback

Environmental, Social and Governance.

Environmental, social and governance ("ESG") is at the core of our business and we conduct our operations with integrity, fairness and transparency.

The Group is committed to sourcing, designing and offering products and services which support social responsibility and environmental sustainability. The Group collaborates with all stakeholders including its clients, Partners and suppliers to ensure the integrity and reputation of the brands with which it works.

Environmental

Reduction of single use plastics

Throughout 2019 our Brand Addition business has taken steps to reduce further our impact on the environment through a continued initiative to reduce its single use plastic, working with the supply chain to minimise packaging material used to transit goods. Across its warehouses, plastics have been replaced with paper-based alternatives, from packing tape to infill materials used to protect products in transit. In offices, we have installed water dispensers and provided employees with reusable bottles, replacing single use plastic cups.

Reduction of energy use

In Europe, we reduced our site energy consumption in 2019 by a further 1.4%, compared to the prior year, through careful monitoring of our usage and internal initiatives focusing employee attention on energy reduction. Plus, we have reduced the volume of product delivered into Europe from China by airfreight by 10% in the year. Our aim is to achieve year-on-year savings in both these areas.

Product sustainability

Product sustainability remains a key focus area for our business and our stakeholders as we look to provide cost effective solutions which allow us to offer reusable products and sustainable materials. In 2019, we worked closely with our suppliers to identify alternative materials from sustainable sources for the production of goods, such as recycled polyethylene terephthalate, organic cottons and water and plant-based inks, so that we can help to support the circular economy.

Accreditation

We continue to recognise the part we have to play in protecting our environment and minimising our impact on climate change. To assist this in the UK, our integrated management system is certified to ISO 9001, ISO 14001 for environmental management and ISO 50001 for energy management. We also take part in an annual supplier sustainability evaluation by Eco Vadis, in which we retained our gold rating in 2019 and increased our percentile rank to the top 1% of companies assessed in our sector.

Social

Promoting human rights

Our Brand Addition business procures product and throughout this supply chain we are committed to ensuring that our suppliers uphold the same level of compliance, transparency and commitment to ESG as we do. Our commitment is supported by detailed internal processes and procedures based upon the Ethical Trading Initiative ("ETI") base code, SA8000 and the ten principles outlined in the UN Global compact.

Adherence to these principles and processes is verified through periodic internal assessment and on-site visits to our suppliers. In 2019, we conducted a total of 311 vendor assessments through our internal team of six trained auditors, enabling us to monitor performance and ensure that our existing suppliers and potential new suppliers meet our strict ESG requirements. During these assessments, our audit teams visit suppliers to review and validate their factories, processes and workforce to ensure that their commitments are being upheld.

People at the heart of our business

We have been accredited against Investors in People in the UK for over a decade. Our people are at the heart of everything we do and we recognise the value and contribution they make to our business. We want our people to enjoy spending time at work and, in return, we support and encourage them to develop to their full potential. We all have a part to play in this, working to the best of our ability, doing the right thing, evolving our roles or seeking that next promotion. We want to help our teams increase their knowledge of our business and gain greater job satisfaction throughout their careers with the business.

Supporting employee growth and development

Over the last 12 months, we have invested substantially in our internal programmes and developed a global Brand Addition Management Development Programme for the management teams and mid-level managers across our business. It is in our DNA to lead by example, treating others how we expect to be treated ourselves. This development programme sets the culture and tone for the wider teams.

Supporting local communities

We actively encourage employees, through their personal development plans, to develop and harness skills which are of value to the many voluntary and community organisations which rely on volunteers to achieve their objectives. Our belief is that everyone has something to offer their local community. Volunteering is a matter of personal choice and we believe it helps personal growth.

Charity

Our Faciliscares programme started in 2019. This initiative encourages charitable activities in our business and with our Partner (customer) community. At our Facilisgroup events we choose to support a locally based charity and work with our Partners raising money and offering practical support. This is a programme we are committed to through 2020 and promote participation throughout the year.

In the UK we have always supported Children in Need, which helps to change the lives of disadvantaged children and young people in the UK. We make donations every year from employees who raise money through the "fun and games" held across the business.

We operate a nominated Charity of the Year policy; employees nominate and vote for a charity that is close to their hearts. Our chosen charity for 2020 is the mental health charity Mind and all funds raised throughout the year from various activities will be donated to support this important charity.

Recognition for charity work

In the UK we have been awarded with a Payroll Giving Quality Mark Silver Award for commitment to good causes in the local community, which reflects our efforts to foster a culture of giving in the workplace by actively promoting our Payroll Giving Scheme.

Governance

QCA Code

We are committed to effective corporate governance as the basis for delivering long-term value growth and for meeting our shareholder expectations for proper leadership and oversight.

In adhering to these principles, the Company has chosen to adopt the Corporate Governance Code for Small and Mid-Size Quoted Companies 2018 published by the Quoted Companies Alliance (the "QCA Code"), led by the Chairman, to ensure that the Company and its subsidiary undertakings are managed in a way that nurtures and protects the medium to long-term benefit of all shareholders, supported by effective and efficient decision making. Applying the QCA Code forms an important part of this process, which serves to mitigate and minimise risk and add value to our business. For details on how we adhere to the ten principles of the QCA Code see pages 32-35.

Risk management

We have a risk management framework in place through which the risk of any adverse effects in the implementation of the strategy is monitored. Details of our key risks can be found on pages 26-29 of this report.

Ethical behaviour

We promote an ethical corporate culture through our documented Code of Ethics, which is followed in every territory in which we operate, with a zero-tolerance approach towards any form of discrimination or unethical behaviour relating to bribery, corruption or business conduct. Non-compliance is reported to the Board.

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

The Company's employment policies, such as those applying to whistleblowing and anti-bribery, also assist in embedding a culture of ethical behaviour for all employees and the Company's commitment to upholding human rights of all individuals is clearly documented in its Modern Slavery Act 2015 Statement.

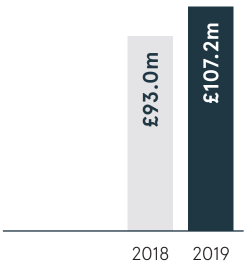
Key performance indicators

Measuring our performance.

Financial (Group)

REVENUE GROWTH

15.3%



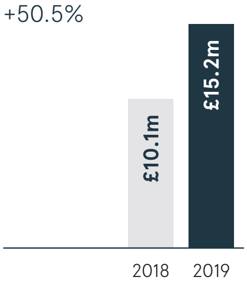
Why we measure it
Year-on-year growth in revenue indicates progress against both short-term plans and long-term strategy.

Comment
The growth in 2019 reflects the impact of the Group's successful acquisition of Facilisgroup in December 2018, its speedy integration and continued organic growth through new client and Partner acquisition.

ADJUSTED EBITDA*

£15.2m

+50.5%



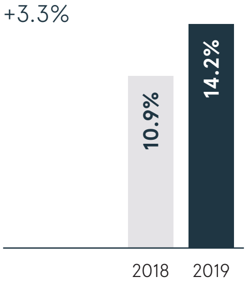
Why we measure it
Year-on-year growth in Adjusted EBITDA indicates progress against both short-term plans and long-term strategy. Management believes this adjusted measure is more appropriate in understanding the underlying trading performance of the business.

Comment
The growth in 2019 reflects the growth in revenue.

RETURN ON SALES

14.2%

+3.3%



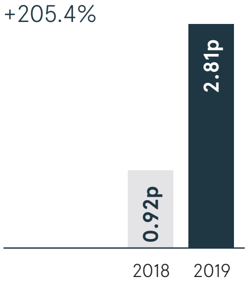
Why we measure it
Return on sales calculated as Adjusted EBITDA as a percentage of revenue is an important measure for the Group illustrating its ability to grow revenue profitably whilst maintaining control over its margins and costs.

Comment
The Group increase of 3.3% in the year reflects the positive impact of the Facilisgroup acquisition which generates Adjusted EBITDA returns in excess of 50%.

EARNINGS PER SHARE ADJUSTED

2.81p

+205.4%



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

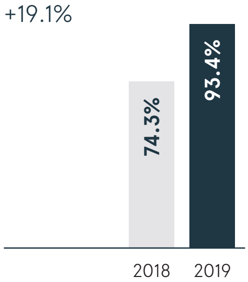
Comment
Adjusted earnings per share is operating profit before amortisation of acquired intangibles and exceptional items less net finance costs and taxation divided by the weighted average number of shares in issue post Admission on 5 December 2019.

Basic earnings per share were (12.56)p against 0.34p in 2018. The figure for 2019 includes the £13.4m (2018: £0.5m) deferred consideration payable on the acquisition of Facilisgroup, which will not occur again.

OPERATING CASH FLOW CONVERSION

93.4%

+19.1%



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

Comment
2019 was a strong year for the Group reflecting good working capital management practices and the relatively low capital investment requirements of the business.

* See the CFO Report on page 25.

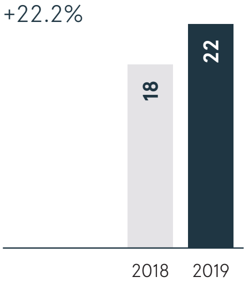
Financial and non-financial (Group companies)

Brand Addition

ACCOUNTS >£1M

22

+22.2%



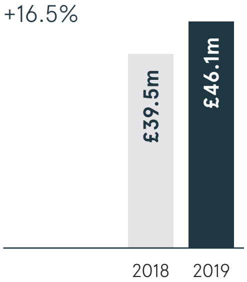
Why we measure it
Brand Addition focuses upon developing long-term relationships with large corporates which outsource their requirements for promotional products and related services. Increasing the number of clients with annual spend greater than £1m is one way of demonstrating the business' success in retaining and attracting clients against this objective.

Comment
The increase from 18 in 2018 to 22 in 2019 shows the continued success of the business in delivering on its goal of increasing spend with existing customers and targeted conversion of new business opportunities that become key, long-term accounts.

REVENUE FROM EXISTING CUSTOMERS

£46.1m

+16.5%



Why we measure it
Brand Addition has excellent levels of client retention which provide the business with good visibility of revenues and inform the view of future performance.

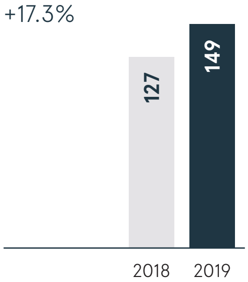
Comment
The contribution in the year from existing customers at 98.7% is consistent with 2018 and is a positive indicator for 2020.

Facilisgroup

PARTNER NUMBERS

149

+17.3%



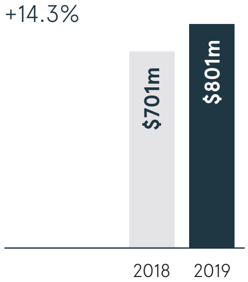
Why we measure it
Responsibly increasing Partner numbers whilst maintaining Partner quality is key to delivery of the Facilisgroup strategy. The number of Partners who are part of our group are tracked monthly to demonstrate progress against this target.

Comment
Facilisgroup increased Partners by a net 22 in the year.

SALES THROUGH @EASE

$801m

+14.3%



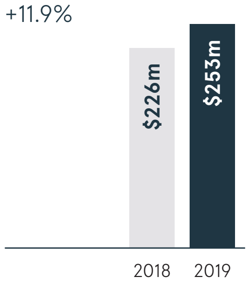
Why we measure it
Tracking the volume of sales processed through our proprietary @ease software allows the Group to monitor both the growth in like-for-like Partner sales and also overall growth in total distributor sales.

Comment
Total sales through @ease for 2019 were $801m, a further positive step in the direction of our $1bn short-term target in 2021.

SPEND WITH PREFERRED SUPPLIERS

$253m

+11.9%



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

Comment
2019 was a further year of growth with preferred suppliers as our existing Partners grew their purchases through our preferred supplier network alongside the introduction of new Partners to our community.

Chief Financial Officer's review

Significant growth.

	2019	2018	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.

£'000	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 7.2ppt 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 1.7ppt 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 3.3ppt 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.

Chief Financial Officer's review

Exceptional items

	2019	2018	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**	£0.4m	**£13.0m**
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 has 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 7.

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 forward.

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 11 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), pro-forma 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% increase in adjusted basic earnings per share from 0.92p per share to 2.81p per share. Pro-forma 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 7.36p per share (2018: gain of 0.18p 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% 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.

Cash flow

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.

Cash flow for the year is set out below.

	2019	2018	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**

Chief Financial Officer's review

Adjusted operating cash flow
Operating cash flow 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 cash flow conversion of 92.8% (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 principal 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	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 its 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 substitute for or superior to any IFRS measures of performance; however, they are considered by management to be important measures used in the business for assessing performance.

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

Adjusted EBITDA

Adjusted EBITDA means operating profit before depreciation, amortisation 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.

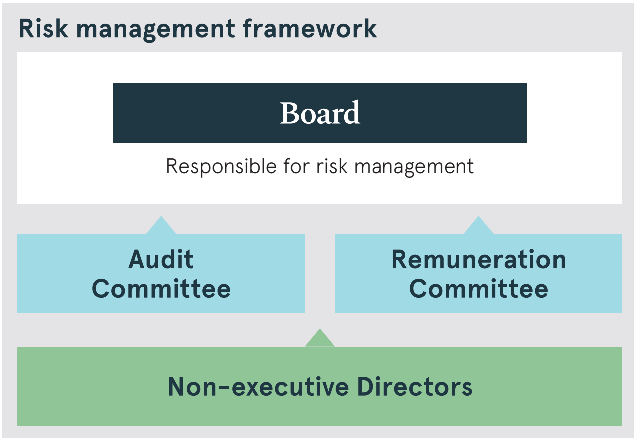
Adjusted operating cash flow

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

Claire Thomson
Chief Financial Officer
8 April 2020

Managing our key risks and uncertainties.

As part of the process for Admission to AIM, the Group reviewed and updated its assessment of principal risks and uncertainties and mitigating actions in place in respect of these risks. These were then considered again by the Board in preparing this Annual Report. The items referred to below are regarded as the key risks for the Group. These are not the only risks that could affect Group performance but in the opinion of the Board are those which are currently the most significant and specific to the Group's business.



Market risks

Risk and potential impacts

COVID-19

Whilst it is impossible to estimate the full impact of the pandemic on the Group's performance at this stage, it poses a risk to demand for Group's products and services which could impact the Group's ability to meet its revenue and EBITDA targets.

How COVID-19 is currently impacting the Group's trading:

Revenue source	Contribution to Adjusted EBITDA in FY19	Status
Facilisgroup Facilisgroup operates primarily on a SaaS recurring revenue model (c.68% of divisional revenue)	**34%**	**Minor disruption** Customer (Partner) numbers continue to grow in line with management's expectations and, although the sales processed per Partner are expected to decline in the year as a result of the virus, the business remains on track for FY20.

Risk and potential impacts

Revenue source	Contribution to Adjusted EBITDA in FY19	Status
Brand Addition	**66%**	
Consumer Promotions (c.30% of divisional revenue) Consumer Promotions supports the sales of clients		**Minor disruption** Trading remains in line with management expectations. Orders are placed early in the year for clients' H2 20 promotions. Order values amounting to c.70% of our full year expectations have already been received, which is slightly ahead of the prior year.
Corporate Programmes (c.70% of divisional revenue) Corporate Programmes supports clients' general marketing activities		**Major disruption** A substantial reduction has been experienced, as clients take understandable measures to protect their people through home office working and the cancelation of travel, conferences and events. We cannot predict the longevity of this situation but there will be a financial impact resulting from COVID-19 in FY20. New business activity in Corporate Programmes in the year to date has been strong. The Group currently expects to benefit from this new business in H220.

Mitigating activities

A COVID-19 mitigation strategy is being implemented (detailed below) and the Board's current view is that the Company is well placed to manage the disruption and is confident in the long-term prospects for the business. The strength and robustness of the Facilisgroup business model is being demonstrated in this uncertain trading environment and new business activity in Brand Addition in Q120 demonstrates the attractiveness of its offering and the constitution of its client base, together with its geographical and sector diversity.

- Business operations are fully functioning, despite the disruption, and work patterns, which maintain the team dynamic and effectiveness whilst minimising risk, have been put in place.
- The Pebble Group has strong cash balances, no debt, a committed revolving credit facility of £10m, of which £7.7m has been drawn down, and an efficient working capital model. New measures aimed specifically at managing cash during the outbreak are currently being implemented, including a hold on non-committed capital expenditure.
- Product supplies from China and elsewhere have been successfully maintained to date and this is expected to continue.

Risk management

Market risks

Risk and potential impacts	Mitigating activities
Macroeconomic environment If there were to be a general economic downturn either globally or locally in an area in which the Group operates it may have an impact on demand for the Group's products and services which could impact the Group's ability to meet its revenue and EBITDA targets.	We expect the technology-based subscription model of the Facilis business to be more resilient in this scenario from any initial shock and revenues in the year of impact would be unaffected. The diversification of Brand Addition revenues across geographies and sectors provides some protection against the impact of a reduction in demand and the flexibility of the operating model below gross margin gives the business the ability to protect profits. Both businesses are highly cash generative with the quality of the client base in Brand Addition supporting cash flow through debtor collections and the sale of stock.

Strategic

Risk and potential impacts	Mitigating activities
Concentrated client base Brand Addition has a relatively small number of key clients and in 2019 generated 64% of Group revenue from the top 20 clients. A loss or significant reduction in activity from one of our major clients could materially affect the Group's ability to meet its revenue and EBITDA targets.	The acquisition of Facilisgroup in December 2018, which has a diversified customer base and represents 34% of Group EBITDA, means that the impact of the loss of a key Brand Addition client on Group EBITDA is much reduced. In addition, delivering on the strategic objective of the Brand Addition business to grow through new client acquisition means the Group EBITDA impact of any one client is further diluted.
Acquisition risk The Group has a track record of achieving growth through acquisition. Any future acquisition could give rise to unforeseen risks for the Group, such as loss of key customers or key personnel, complex and extended integration processes absorbing significant amounts of senior management time or unforeseen liabilities. A poorly implemented acquisition could have a damaging impact on the Group's financial position and reputation.	The Group takes great care in identifying potential acquisition targets and they are typically businesses with whom senior management have an existing relationship. All proposed acquisition targets are subject to robust due diligence using internal teams with extensive industry experience supported by external advisers where the Group does not have the specialist in-house skills.

Financial

Risk and potential impacts	Mitigating activities
Currency and foreign exchange A proportion of the Group's revenue is denominated in foreign currency, principally US Dollars and Euros, while the Group's reporting currency is Pounds Sterling. The Group is, therefore, exposed to the risk that adverse exchange rate movements could cause its costs to increase (relative to its reporting currency) and could result in reduced profitability.	Where it is considered appropriate the Group uses hedges to reduce exposure to currency risk; however, these may not always be effective and there may be some residual currency risk.

Operational

Risk and potential impacts	Mitigating activities

Retaining and attracting key personnel

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

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

Reliance on IT systems

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

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

Breach of IT security

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

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

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

Christopher Lee
Chief Executive Officer
8 April 2020

Chairman's introduction to governance

Committed to effective corporate governance.

The Board is committed to effective corporate governance as the basis for delivering long-term value growth and for meeting shareholder expectations for proper leadership and oversight.

In adhering to these principles, the Company has chosen to adopt the Corporate Governance Code for Small and Mid-Size Quoted Companies 2018 published by the Quoted Companies Alliance (the "QCA Code). It is the role of the Board, led by the Chairman, to ensure that the Company and its subsidiary undertakings (the "Group") are managed in a way that nurtures and protects the medium to long-term benefit of all shareholders, supported by effective and efficient decision making. Applying the QCA Code forms an important part of this process, which serves to mitigate and minimise risk and add value to our business.

The Company and its current Board and Board Committees were constituted in December 2019 as part of the preparation for Admission to AIM on 5 December and therefore this report relates to the days post IPO to the end of 2019.

Richard Law
Chairman
8 April 2020

Board structure and composition

The Board comprises five Directors, two Executive Directors and three independent Non-executive Directors, the combination of which the Board believes represents a blend of different experiences and backgrounds, further details of which can be found in the Board biographies on pages 36-37. The Board believes that its composition brings a desirable range of skills and experience in light of the Company's challenges and opportunities following Admission, while at the same time ensuring that no individual (or small group of individuals) can dominate the Board's decision making.

Board Committees

The Audit Committee

The Audit Committee chaired by Yvonne Monaghan has primary responsibility for monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control environment in operation throughout the Group and recommend external auditors for reappointment. The Audit Committee reports to the Board on all these matters and will meet at least twice in each financial year. Richard Law and Stuart Warriner are the other members of the Audit Committee. Further information can be found in the Audit Committee Report on pages 38-39.

The Remuneration Committee

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

The Remuneration Committee will meet as and when necessary, but at least twice each year. In exercising this role, the members of the Remuneration Committee will have regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance. The remuneration of Non-executive Directors (other than the Chairman of the Board) will be a matter for the Chairman and the executive members of the Board. Richard Law and Yvonne Monaghan are the other members of the Remuneration Committee. Further information can be found in the Remuneration Committee Report on pages 40-44.

The Nomination Committee

The Nomination Committee chaired by Richard Law has responsibility to identify and nominate for the approval of the Board candidates to fill Board vacancies as and when they arise.

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

In respect of new appointments, the Committee will undertake an evaluation of the balance of skills, experience, independence and knowledge on the existing Board and, in the light of this evaluation prepare a detailed description of the role, candidate profile and capabilities required for the particular appointment.

The Nomination Committee will meet as and when necessary, but at least twice a year. Yvonne Monaghan and Stuart Warriner are the other members of the Nomination Committee.

Corporate governance statement

Delivering long-term growth.

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

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

The Company's business model and strategy are set out on pages 13-14 of this report and the principal risks are set out on pages 26-29.

The Group's vision is to become the partner of choice for both global brands that use promotional products as a key stakeholder engagement tool and SME distributors that seek to professionalise and grow their promotional products business in North America. The Group has a proven track record of delivering strong organic growth, as well as growth through acquisition.

The Group's strategy is to continue its profitable growth in the following ways:

- attract additional clients;
- increase spend from existing clients by extending existing relationships into new geographies as well as increasing market share in Europe, the US and Asia;
- attracting additional partners using the Facilisgroup software; and
- increasing the number of services offered to Facilisgroup partners.

The Board holds at least one strategy session each year. An update on strategy will be given in the Strategic Report that is included each year in the Annual Report and Accounts. There is a risk management framework in place through which the risk of any adverse effects in the implementation of the strategy is monitored.

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

Prior to Admission, the Company's executive management undertook a roadshow which has informed the Company as to its shareholders' expectations following Admission. There will be an active dialogue maintained with shareholders through a planned programme of investor relations. This activity is a keystone of the Company's corporate communications programme and is headed by the Chief Executive Officer supported by members of the Group finance team.

The Company has engaged advisers to support the Group finance team with both presentation of key information to the market and to provide feedback directly to the Board from investor meetings, webinars and events. An update on investor sentiment and or shareholding changes is provided at every Board meeting.

There is also a designated email address for investor relations, investors@thepebblegroup.com, and all contact details are included on the Group's website.

The Board will attend the Company's AGM and will be available to answer questions posed by shareholders, both during the meeting and following the AGM.

The CEO and CFO will regularly meet with shareholders and analysts following the release of key information (including financial information) to the market and the Chairman is also available to meet with major shareholders if required.

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

We recognise that we are responsible not only to our shareholders and employees, but to a wider group of stakeholders (including our customers and suppliers) and the communities in which we operate.

The Company is committed to the highest standards of corporate social responsibility in its activities and this is outlined in the Section 172 Statement on page 15 and Environmental, social and governance on pages 16-17.

The Company's key stakeholder groups are:

- employees;
- shareholders (both institutional and private);
- clients and Partners; and
- suppliers.

Employees

Employees are consulted throughout the organisation and are given many opportunities to provide feedback during regular meetings and annual appraisals. Recruitment and retention have also been supported by this regular communication. There is a comprehensive Code of Conduct in place setting out the ethical expectations of all employees.

Shareholders

An active dialogue is maintained with shareholders by the Group finance team supported by the Chairman, CFO and CEO.

Customers and partners

Customer requests and queries are handled courteously and promptly by the customer services team. Product ranges are refreshed and updated by our design teams to meet the changing needs of our new and existing customer base.

Suppliers

We build long-standing relationships with our suppliers which therefore understand our values and expectation of business behaviour. There is a comprehensive Code of Practice that is issued to all UK, European, US and Far East suppliers enforcing the importance of control and supervision in their work environments.

Relationships with customers and suppliers alike are maintained throughout the organisation, providing a strong engagement and feedback loop.

Social responsibility

The Group is committed to sourcing, designing and offering products which support social responsibility and environmental sustainability. The Group collaborates with all stakeholders including its clients and suppliers to ensure the integrity and reputation of the brands it works with. Through its audit processes, continuous supplier review and formal contracting, the Group manages and supports its clients with a socially responsible supply chain including safe working conditions and best practice employment terms. For more information see pages 16-17.

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

The Board uses a considered approach to risk management with the need to accept a certain level of strategic risk to achieve its objectives of capital growth for shareholders. The risks facing the business are set out in the Admission Document and on pages 26-29 of this report.

The Company has in place a risk management framework and risk register which assist the Board in identifying, assessing, and mitigating the risks faced by the Company to an acceptable level.

This covers:

- the Board's appetite to risk;
- the responsibility for internal control;
- the Board process for the review of processes and controls, including independent checking by other departments or a formal internal audit function; and
- risk responsibility, mitigating actions and monitoring processes in place.

The risk management framework is reviewed at Audit Committee meetings and reported to the Board on a bi-annual basis.

Corporate governance statement

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

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

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

The Board's activities are supported by Nomination, Audit and Remuneration Committees. Details of these Committees are set out on page 31 of this report and their terms of reference are set out on the Company's website.

The Board and its Committees receive high quality accurate and timely information on a regular basis (daily, weekly or monthly as appropriate). The Board meets at least ten times per year.

All the Directors have appropriate skills and experience for the roles they perform at the Company, including as members of Board Committees. They are subject to election by shareholders at the first AGM after their appointment to the Board. They will continue to seek reappointment at least once every three years in accordance with our Articles of Association. Details of the Director seeking re-election at the 2020 AGM can be found in the Directors' Report and in the Notice of the Annual General Meeting.

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

The Board believes that the three Non-executive Directors are independent, with Yvonne Monaghan fulfilling the role of Senior Independent Director.

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

The Board is represented by an appropriately diverse mix of individuals, given its size. Experiences are varied and contribute to maintaining a balanced Board that has the appropriate level and range of skill to push the Company forward. Details of the skills and experience of the Directors are provided on pages 36-37 of this report and also on the Company's website.

The Board is not dominated by any one individual and all Directors have the ability to challenge proposals put forward to the meeting and decisions are reached democratically. The Board and Committees receive training as appropriate, including technical updates on the latest accounting, auditing, tax and reporting developments. The balance of skills of the Board is reviewed at least on an annual basis. The Board has access to professional advisers at the Company's expense if necessary.

The Directors also receive regular briefings and updates from the Company's Nominated adviser in respect of continued compliance with, inter alia, the AIM Rules.

The Company's statement on its Audit, Remuneration and Nomination Committees can be found on page 31 of this report and on the website.

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

The Board has committed to performing a formal evaluation of performance in its first year of existence. The outcomes of this will be described in the Company's Annual Report and Accounts for the year ended 31 December 2020. The Company is currently formalising this process.

The key assessments that will be made in relation to the effectiveness of the Directors are:

- contributions are relevant and effective;
- skills remain current and relevant for their role on the Board;
- they are committed and able to devote a suitable amount of time to undertaking their duties as a Director; and
- if their role is as an independent Director, that they remain independent.

The Nomination Committee may use the results of the evaluation process when reviewing the composition of the Board for selecting any new Board members, and in succession planning for the Directors of the Board as well as key Executive Team members. The Board considers succession planning to be a matter of high priority and this is reviewed annually by the Nomination Committee where recommendations are then presented to the Board for consideration. Succession planning requirements relating to all members of the executive management team are considered by the CEO on a quarterly basis.

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

The Company has a responsibility towards its employees and other stakeholders. The Board promotes an ethical corporate culture by having a documented Code of Ethics which is followed in each territory in which it operates, with any areas of non-compliance reported to the Board.

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

The Company's employment policies, such as those applying to whistleblowing and anti-bribery, also assist in embedding a culture of ethical behaviour for all employees and the Company's commitment to upholding human rights of all individuals is clearly documented in its Modern Slavery Act 2015 Statement.

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

This culture is set by the Board and regularly considered and discussed at Board meetings.

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

The Board has a formal schedule of matters reserved for its attention, including approval of strategic plans and acquisitions and meets at least ten times per year.

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

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

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

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

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

The terms of reference of these Committees are summarised in the Admission Document and can be found on the Corporate Governance section of the Company's website.

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

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

The Company will communicate with its shareholders through:

- the Annual Report and Accounts;
- half-year report announcements;
- Regulatory Information Service ("RIS") announcements;
- the Annual General Meeting ("AGM"); and
- one-to-one meetings with large existing or potential new shareholders.

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

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

Board of Directors

Leading with experience.

Richard Law
Non-executive Chairman

Tenure
Four months

Experience
Richard is currently the Chairman of product intelligence and performance accelerator Vypr and was previously Chairman of car financing platform Zuto. Richard retired as Chief Executive Officer of AIM-quoted GB Group plc in 2017, having led the company from a market capitalisation of £5m to £500m. Richard first joined GB Group in 1993 as Finance Director and was then made Group Finance Director in 1998 and then Chief Executive Officer in 2002. Richard has a BSc degree in Engineering from Imperial College London and started his career working as an engineer with multi-national companies in the UK and Australia. Richard then spent six years as a Corporate Financier for Ernst & Young, having joined in 1987.

Committee membership
N A R

Christopher (Chris) Lee
Chief Executive Officer

Tenure
20 years

Experience
Chris led the private equity backed management buy-outs of Brand Addition in 2012 and 2017 and the acquisitions of Gateway CDI and Facilisgroup in 2016 and 2018 and the listing of The Pebble Group onto AIM in 2019. Chris qualified as a Chartered Certified Accountant (ACCA) and worked in the audit division of Ernst & Young from 1997 to 2000.

Claire Thomson
Chief Financial Officer

Tenure
12 years

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

Yvonne Monaghan
Independent Non-executive Director and Senior Independent Director

Tenure
Four months

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

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

Committee membership
N A R

Stuart Warriner
Independent Non-executive Director

Tenure
Four months

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

Other appointments
Stuart has been a Managing Director at GCA Altium since 2017.

Committee membership
N A R

BOARD COMPOSITION

BOARD GENDER DIVERSITY

KEY TO COMMITTEE MEMBERSHIP

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

Audit Committee report

Monitoring the quality of internal controls.

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

Dear shareholder,

I am pleased to present the Audit Committee Report for the year ended 31 December 2019.

The Audit Committee was formed at IPO and has had two meetings. The priorities for these initial meetings have been the actions required in support of the year-end audit process, appointment of external auditors, approval of audit fees, review of the Annual Report and Accounts and review of the risk register and internal controls.

Composition and experience of the Audit Committee

The Audit Committee is chaired by me as an Independent Non-executive Director and consists of all Non-executive Directors. All three Non-executive Directors are qualified Chartered Accountants, and all have considerable industry experience in senior financial and operational roles.

Responsibilities

The Audit Committee has primary responsibility for reviewing the effectiveness of the Group's internal controls, monitoring the integrity of the Group's financial statements and the external announcements of the Group's results, approving the appointment and remuneration of the Group's external auditors, reviewing their reports and ensuring their independence is maintained, in all cases having due regard to the interests of shareholders.

The Audit Committee will report to the Board on all these matters and will meet at least twice in each financial year. The terms of reference of the Audit Committee have been formally approved by the Board, are available on the Company's website and will be available at the AGM.

External audit

The Audit Committee has responsibility for the appointment and remuneration of the Group's external auditors and satisfying itself that they maintain their independence regardless of any non-audit work performed by them. The Group is aware of the updated Ethical Standard guidance governing the performance of non-audit work by the auditors, the impact of which will be reviewed during 2020, and any changes required to ensure compliance with the recommendations will be implemented.

The respective responsibilities of the Directors and external auditors in connection with the Group financial statements are explained in the Statement of Directors' Responsibilities on page 47 and the Auditors' Report on pages 48-52. Details of services provided by and fees payable to the auditors are shown in note 9 of the Group financial statements.

One of the principal duties of the Audit Committee is to make recommendations to the Board in relation to the appointment of the external auditors. PricewaterhouseCoopers have been the Company's external auditors for many years and in line with best practice guidance are required to rotate the audit partner responsible for the Group and subsidiary audits every five years as a listed plc. There will be a new audit partner in place for the year ending December 2020.

Internal control and risk management

The Audit Committee will support the Board in reviewing the risk management methodology and the effectiveness of internal control. Regular internal control updates will be provided to the Audit Committee; these will include reviewing and updating the risk register and assessing the mitigating actions in place and updates to action plans agreed in previous meetings.

Internal audit

The Group does not have a formal internal audit function at the present time but acknowledges the importance that internal audit can play in establishing and monitoring an effective control environment. The Committee will review and consider the most appropriate way of monitoring the internal control environment across the Group following which an appropriate system of review for the size and complexity of the organisation will be implemented.

Significant issues considered in relation to the financial statements

At the request of the Board, the Audit Committee considered whether the 2019 Annual report and Accounts were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Group's performance, business model and strategy. The Committee was satisfied that, taken as a whole, the 2019 Annual Report and Accounts is fair, balanced and understandable.

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

- appropriateness of the merger accounting principles in the preparation of the Group financial statements;
- appropriateness of the treatment of costs in relation to the IPO and the presentation in the Group financial statements;
- appropriateness of the disclosure in the financial statements, given the first year as a listed Group;
- accounting for the acquisition of Facilisgroup;
- review of the capitalisation of development costs;
- appropriateness of the carrying value of goodwill, intangibles and investments; and
- review of the potential impact and disclosure of the impact of COVID-19.

Yvonne Monaghan
Chair of the Audit Committee
8 April 2020

Directors' remuneration report

Ensuring key personnel deliver the Company's objectives.

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

This report is for the period to 31 December 2019. It sets out the remuneration policy and the detailed remuneration for the Executive and Non-executive Directors of the Company. As an AIM-quoted company, the information is disclosed to fulfil the requirements of AIM Rule 19. Pebble Group plc is not required to comply with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The information is unaudited except where stated.

Dear shareholders,

I am pleased to introduce the Directors' Remuneration Report for the 2019 financial year, our first since our IPO in December 2019. This letter introduces the report, outlines the major decisions on Directors' remuneration during the year and explains the context in which these decisions have been taken.

Pebble is committed to high standards of corporate governance and our policy and disclosures on Directors' remuneration are intended to reflect this approach. We welcome shareholder feedback. From 2021 we will put an advisory resolution on remuneration to shareholders at our AGM. We will not do this for the 2020 AGM because the advisory vote is intended to allow shareholders to indicate their support for remuneration decisions taken in the reported year and Pebble was a private company until 5 December 2019.

Remuneration policy

The Company's approach to remuneration is that the overall package should be sufficiently attractive to recruit, motivate and retain individuals of a high calibre with significant technical and strategic expertise. The Company needs to ensure that key personnel can deliver the Company's objectives and value for shareholders in a competitive sector.

Following its IPO, Pebble has adopted a new remuneration policy reflecting its status as an AIM company. The four main elements of the remuneration package are basic salary, benefits, annual performance related bonuses and long-term share incentives. Policy in each area is detailed in this report.

Performance and decisions on remuneration taken

The Company performed strongly during the year, details of which have been provided throughout the Strategic Report.

During 2019, the Group completed its IPO on AIM which involved a significant amount of work by the management and Executive Directors. In order to recognise the efforts of the team, an accrual was agreed by the former board prior to the IPO for a one-off conditional incentive scheme (the "IPO bonus") for the wider team, including the Executive Directors, for a total cost of £750,000 including the payment of all employers' National Insurance contributions to HM Revenue and Customs. No other bonuses were paid or accrued in the financial year in respect of the Executive Directors and the IPO bonus was based on the performance of the individual. It was allocated and approved following the year end. As part of the structuring of the Admission to AIM, the IPO bonus accrual was identified as a debt-like item and the selling shareholders left cash in the business on IPO to satisfy these payments. Details of the amounts due to our CEO and CFO are set out later in this report.

New salary levels were agreed for the CEO and CFO at the time of the IPO and were effective from 1 January 2020.

Decisions made in response to COVID-19

In response to COVID-19 a number of decisions were made in relation to remuneration after the year end. The Executive Directors and the Non-executive Directors have agreed to a 40% reduction in base salary and fees respectively, for an initial three-month period from 1 April 2020. In addition, the Executive Directors have taken the decision to defer payment of their allocation of the IPO bonus in order to preserve the cash within the Group. The implementation of both the annual bonus scheme for the Executive Directors and the Long Term Incentive Plan for the Group has been deferred. These decisions will be reviewed later in the year.

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

Stuart Warriner
Remuneration Committee Chair
8 April 2020

Remuneration report

Composition of the Committee

The Committee members since IPO have been Stuart Warriner (Chair), Yvonne Monaghan and Richard Law. The Committee will normally meet three times a year to review the remuneration of the Executive Directors and other Executive Team members. The views of the Chief Executive are sought in respect of awards to the other Executive Director and Executive Team members.

Remuneration policy

The Committee's overall approach is focused on ensuring the Company's remuneration policy is aligned with shareholders' interests whilst also enabling the Company to attract, retain and motivate high quality executive management. The Committee will take into account periodic external comparisons to examine current market trends and practices at equivalent roles in similar companies.

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

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

The Committee aims to achieve an appropriate balance between fixed and variable remuneration, and between variable remuneration based on short-term and longer-term performance. Fixed remuneration includes base salary, benefits and pension. Variable remuneration includes annual bonus and awards made under the Long Term Incentive Plan.

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

Elements of Remuneration

Element	Link to remuneration policy/strategy	Operation	Maximum opportunity	Performance metric
Base salary	To help recruit and retain high performing Executives. Reflects the individual's experience, role and importance to the business.	Basic salary is reviewed annually as at 1 January with reference to each Executive Director's performance and contribution during the year, Company performance, the scope of the Executive Directors, responsibilities and consideration of competitive pressures.	There is no prescribed maximum annual base salary or salary increase. The Committee is guided by the general increase for the broader employee population, but has discretion to decide a lower or a higher increase.	The Committee considers individual and Company performance when setting base salary.
Benefits	To help recruit and retain high performing Executives. To provide market competitive benefits.	Benefits are in line with those offered to other senior management employees and may include medical expenses cover and life insurance cover. The CEO and CFO also receive permanent health insurance.	No maximum potential value.	None.
Pension	To help recruit and retain high performing Executives. To provide market competitive pensions.	The CEO and CFO receive an employer`s pension contribution or a cash supplement.	CEO and CFO, 5% of base salary. This percentage is in line with the pension contribution made by the Company to its UK workforce.	None.
Annual bonus	To incentivise and reward performance. To align the interests of the Executives and shareholders in the short and medium term.	Parameters, performance criteria, weightings and targets are set at the start of each year. Payments are made in cash following completion of the year subject to the Committee's assessment of performance against targets and other matters it deems relevant.	The maximum bonus opportunity for the CEO and CFO is 100% of base salary.	Performance measures may include financial, non-financial, personal and strategic objectives. Performance criteria and weightings may be changed from year to year. At present the performance target is expected to be based on adjusted EBITDA.

Element	Link to remuneration policy/strategy	Operation	Maximum opportunity	Performance metric
Long Term Incentive Plan	To incentivise and reward long-term performance and value creation. To align the interests of Executives and shareholders in the long term.	Executive Directors are eligible to receive awards under the Long Term Incentive Plan at the discretion of the Committee. Awards are granted as nil-cost options or conditional awards which vest after three years subject to the meeting of objective performance conditions specified at award. Awards are subject to malus and clawback provisions. An additional holding period post vesting may be applied. Dividend equivalents may be added to awards.	The annual award to the CEO and CFO is 100% of base salary.	Performance measures may include financial and non-financial objectives. Performance criteria and weightings may be changed from year to year. For awards made in 2020, 70% of the award will be subject to a cumulative EPS target with 30% subject to an absolute total shareholder return ("TSR") target.
Non-executive Directors	To provide fees appropriate to time commitments and responsibilities of each role.	Non-executive Directors are paid a base fee in cash. Fees are reviewed periodically. In addition, reasonable business expenses maybe reimbursed.	The Board is guided by the general increase for the broader employee population and takes into account relevant market movements.	

Malus and clawback

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

Remuneration of employees below the Board

Employees below the Board receive base salary, benefits and annual bonus, and senior members of staff are invited to participate in the LTIP. Pay and conditions throughout the Group are taken into consideration when setting remuneration policy. The Committee does not consult other employees when setting executive remuneration.

Shareholder consultation

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

Executive Directors' service contracts and payments for loss of office

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

Non-executive Directors' letters of appointment

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

Consideration of new Executive Directors or senior executives

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

Remuneration report

Annual Report on Remuneration

This section sets out details of remuneration in 2019.

Fees of Non-executive Directors

Fees for Non-Executive Directors effective 28 November 2019 were:

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

Summary of Director's total remuneration (audited)

Name	Salary/fee	IPO bonus	Pension	Benefits	2019 total	2018 total
Executive						
Christopher Lee	210,000	170,000	14,462	2,283	396,745	258,595
Claire Thomson	144,428	130,000	15,417	1,625	291,470	184,340
Non-executive						
Richard Law	8,333	–	–	–	8,333	–
Yvonne Monaghan	3,750	–	–	–	3,750	–
Stuart Warriner	3,750	–	–	–	3,750	–

As detailed above, the Executive Directors have taken the decision to defer payment of their allocation of the IPO bonus in order to preserve cash within the Group.

Except as set out above, no bonus or long-term incentive arrangements were paid or put in place during 2019.

Long-term incentive plans

There were no outstanding long-term incentive awards in place at 31 December 2019.

Director's interests in shares

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

	31 December 2019	
Name	Number	% of issued shares
Richard Law	95,238	0.1%
Christopher Lee	5,941,515	3.6%
Claire Thomson	2,857,243	1.7%
Yvonne Monaghan	15,000	0.0%
Stuart Warriner	–	–

Directors' remuneration for the year commencing 1 January 2020

As set out in the AIM Admission Document, the salaries for CEO and CFO effective 1 January 2020 were £270,000 and £200,000, respectively.

Salaries for CEO and CFO and fees for the Chairman and Non-executive Directors will remain as set out above for 2020.

In response to COVID-19 the Board of Directors has agreed to a 40% reduction in salaries and fees for an initial three-month period from 1 April 2020.

The Committee will consider the implementation of both an annual bonus scheme and long-term incentive awards later in 2020. Any such schemes will operate as set out in the policy table above.

Directors' report
For the year ended 31 December 2019

The Directors present their report together with the audited Group financial statements of The Pebble Group plc (formerly The Pebble Group Limited up to 22 November 2019) (the "Company") and the Company for the year ended 31 December 2019.

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

Results and dividends
The Group recorded revenue in the year of £107.2m (2018: £93.0m) and loss after tax of £(12.3)m (2018: profit of £0.3m).

Events after the balance sheet date
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.

Financial risk management
Information relating to the principal risks and uncertainties of the Group has been included within the Strategic Report on pages 26-29. Further information relating to the financial risk of the Group has been included within note 24, financial risk management.

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

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

In accordance with the Articles of Association, a third of the Board is required to stand for re-election at the forthcoming AGM; therefore Richard Law will be retiring by rotation and seeking re-election by the Company's shareholders. The Directors confirm that, having conducted a performance evaluation, Richard Law continues to contribute and demonstrate commitment to his role.

The Directors who held office during the year and as at 31 December 2019 had the following interests in the ordinary shares of the Company:

Name of Director	Number
Richard Law	95,238
Christopher Lee	5,941,515
Claire Thomson	2,857,243
Yvonne Monaghan	15,000

The market price of the Company's shares at the end of the financial year was 1.39p and the range of market prices during the period from IPO to the year end was between 1.05p and 1.39p.

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

Directors' insurance
The Company maintains Directors' and Officers' liability insurance for the Directors, which was in force from their dates of appointment and up to the date of this report.

Significant shareholdings
As at 7 April 2020, the Company has been advised, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, or was made aware through the IPO process of the following notifiable interests in 3% or more of its voting rights.

Liontrust Asset Management plc	30,189,461	18.03%
Elysian Capital	23,258,664	13.89%
BlackRock Advisors (UK) Limited	22,372,675	13.36%
Capital International, UK	9,175,000	5.48%
M&G Investment Management Limited	8,500,000	5.07%
Merian Global Investors	7,689,039	4.59%
Fidelity Worldwide Investment (FIL)	7,000,000	4.18%
Soros Fund management, L.L.C	6,500,000	3.88%
Christopher Lee	5,941,515	3.55%
Lombard Odier Asset Management, London	5,100,000	3.05%
Legal & General Investment Management	5,100,000	3.05%

Employees
The Group regularly provides employees with information on matters of concern to them, consulting them or their representatives regularly so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as common goals and awareness of the Group's strategy play a major role in delivering its strategic objectives.

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

Further details on how the Company communicates with its employees can be found in the Section 172 Statement on page 15.

Directors' report
For the year ended 31 December 2019

Political donations
It is the Company's policy not to make political donations. The Directors confirm that no donations for political purposes were made during the year (2018: nil).

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

As at 31 December 2019, the Company's issued share capital comprised 167,450,893 ordinary shares of 0.01p and 12,564,501 deferred shares of 0.01p, totalling 180,015,394.

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

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

Corporate governance
The Group's Statement on Corporate Governance can be found in the Corporate Governance section of this Annual Report on pages 30-47, which is incorporated by reference and forms part of this Director's Report. It can also be found on the Company's website.

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

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

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

By order of the Board

Claire Thomson
Company Secretary

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

Registered number: 12231361

8 April 2020

Statement of Directors' responsibilities
In respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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

Directors' confirmations

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

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

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

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

Report on the audit of the Group financial statements

Opinion

In our opinion, The Pebble Group plc's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report (the "Annual Report"), which comprise: the Consolidated statement of financial position as at 31 December 2019; the Consolidated income statement and Consolidated statement of other comprehensive income, the Consolidated cash flow statement, and the Consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

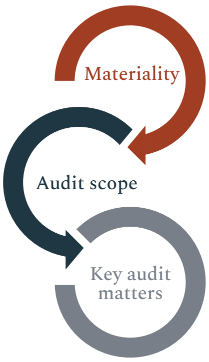
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit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

Independence

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

Our audit approach

Overview



- Overall Group materiality: £377,000, based on 2.5% of consolidated EBITDA, adjusted for exceptional items.

- The Group engagement team has performed a full scope audit of three significant components within the Group. The audited components accounted for 97% of consolidated revenue, 95% of consolidated loss before tax and 89% of consolidated Adjusted EBITDA.

- Impact of COVID-19.
- Valuation of capitalised development costs.
- Accounting for the Initial Public Offering ("IPO").
- Finalisation of acquisition accounting for Facilis Group.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 Refer to note 2(b) and note 27 for further details. The ongoing and evolving COVID-19 pandemic, and the related government responses to this crisis, is having a significant impact on the economies of those countries in which the Group operates. There is a high level of uncertainty as to the duration of the pandemic and what its lasting impact will be on those economies. The Directors have considered the potential impact to the Group of the ongoing COVID-19 pandemic in several areas, including the assessment of going concern, the carrying value of the Group's assets and disclosures to be included in the financial statements. In relation to the Group's going concern assessment, the Directors adjusted the cash flow forecasts for the period to the end of December 2021 to reflect a number of severe but plausible downside scenarios resulting from the direct and indirect consequences of COVID-19, including, for example, a prolonged reduction in demand. This included an assessment of mitigating actions, such as restricting non-essential capital expenditure and employee related cost savings. The Directors also considered the impact of COVID-19, as a post balance sheet event, on the carrying value of the Group's assets. It was concluded that this is a non-adjusting post balance sheet event and, as such, no changes to the carrying value of assets as at 31 December 2019 are required.	We re-evaluated our risk assessment in particular in relation to the appropriateness of the going concern basis of preparation of the financial statements. Based on the change in circumstances from the date of our planning due to COVID-19, and the evaluation performed by the Directors, we increased the risk to significant. We agreed that the management accounts for the financial year to date were consistent with the starting point of the Directors' revised cash flow forecasts. We also checked the arithmetical accuracy of management's forecasts for the period to the end of December 2021. We evaluated management's downside scenarios, including a worst-case scenario, and challenged their adequacy and underlying assumptions, including the level of reduction in sales, the period of such reduction and the timing and rate of anticipated sales recovery. In doing so, we examined evidence relating to committed customer orders, receipts of cash since 31 December 2019, and communications with key customers regarding intent to settle outstanding receipts due. We examined supporting evidence for the cost mitigations included within the forecasts to corroborate their reasonableness, including an assessment of the Directors' ability to take actions to implement these mitigations if necessary. On the basis of the procedures above, we evaluated the level of forecast liquidity and agreed with management's assessment that there would likely be a sufficient level of working capital throughout the period to the end of December 2021 and banking covenants would likely be met over the same period. We also corroborated the drawdown in March 2020 of funds from the Group's revolving credit facility totalling £7.7m. We recalculated the impact on the Group's banking covenants and corroborated the applicable ratios to the underlying agreement. We evaluated the likelihood of circumstances arising in which a covenant may be breached. We read management's disclosures in the financial statements in relation to the impact of COVID-19 and are satisfied that they are consistent with the assessment performed and correctly identify COVID-19 as a non-adjusting post balance sheet event. We also read the disclosures made in the other information and did not identify any inconsistencies with the financial statements. Our conclusions relating to going concern are included below.

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

Key audit matter	How our audit addressed the key audit matter
Valuation of capitalised development costs Refer to note 2(j), note 3(b) and note 12 for further details. The Group capitalised costs of £1.5m during the year ended 31 December 2019 primarily in relation to the development of its primary customer-facing platforms in Brand Addition and Facilis. The net book value of such capitalised costs as at 31 December 2019 was £4.5m. There is a risk that capitalised development costs are incorrectly valued on the closing balance sheet. This can arise where internally generated costs (such as wages and salaries) are incorrectly recorded and/or where impairments are required but not recognised in the financial statements. We focused on this area due to the inherent level of judgement involved in assessing whether costs capitalised meet the recognition criteria of IAS 38 'Intangible assets', and also due to the estimation required in forecasting future cash inflows to support the valuation of capitalised development costs at 31 December 2019.	We assessed whether the development costs capitalised met the criteria set within IAS 38 'Intangible assets' and did not identify any such costs not fulfilling these criteria. We corroborated a sample of capitalised development costs to source documentation, including invoices and contracts of employment, and determined that they had been recorded correctly. We agreed, on a sample basis, that the proportion of internal employee costs capitalised was appropriate based upon their roles and responsibilities. We compared the net book value of capitalised costs to management's estimates of future cash inflows attributable to them, and concur that no impairments are required at 31 December 2019. We assessed the useful economic lives of the intangible assets as applied by management in determining the amortisation charge and agreed that these lives are appropriate for the assets to which they relate, and have been accurately applied.
Accounting for the Initial Public Offering ("IPO") Refer to note 2(a) and note 7 for further details. The Group listed on the Alternative Investment Market ("AIM") in December 2019. The accounting for the IPO involves complex and judgemental transactions, and therefore there is a risk that these transactions are not accurately calculated or recorded, or are incomplete.	We performed an independent completeness assessment to verify that all IPO-related adjustments have been identified. We validated IPO adjustments to supporting documentation, and verified these have been appropriately accounted for in the financial statements. We have also assessed the appropriateness of the disclosures included in notes to the financial statements to reflect these changes during the year.
Finalisation of acquisition accounting for Facilis Group Refer to note 2(a) and note 25 for further details. On 4 December 2018, the Group acquired 100% of the share capital of Facilisgroup Canada Inc and Facilisgroup LLP (together the Facilis Group). The acquisition accounting in note 25 has been restated to reflect the following matters. See note 12 for further details. An element of the purchase price is required to be treated as post-combination remuneration by IFRS 3. This has resulted in a reduction to the resulting goodwill. The Consolidated income statement for the year ended 31 December 2018 has also been restated to reflect the charge applicable from acquisition date for that year. Additional consideration paid during 2019 has been included in the calculation of goodwill at the acquisition date, resulting in an increase to goodwill and current liabilities. A separate intangible asset of £9.4m relating to customer relationships existing at the date of acquisition has been recognised. The useful economic life of this intangible asset has been assessed as 20 years.	We read the contract of sale and agreed that the elements of the purchase price which are linked to ongoing employment have been treated appropriately in the restated accounting. We examined management's calculation of the accounting entries including the spread of the post-combination remuneration expense and agreed the key inputs to the relevant parts of the contract of sale. We engaged our internal valuations team to assist us in assessing the key assumptions applied in the Directors' valuation of the acquired customer contracts, including the estimated cash flows, growth rate, attrition rate and discount rate. We evaluated whether these assumptions were consistent with our understanding of Facilis Group's performance and historic trends. We assessed the useful economic life of the intangible asset by comparing this to historic information and considering any likely changes in customer patterns. We also agreed that amortisation has been accurately recognised based on this estimate. We considered whether any other intangible assets should have been identified by the Directors, based on our understanding of the transaction, our knowledge of the business, the purchase agreement and discussions with the Directors.

How we tailored the audit scope

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

There are 19 statutory entities, of which there are 3 significant trading components within the Group which were subject to a full scope audit. We performed specific audit procedures over a further 3 trading components, and testing of certain financial statement line items at a consolidated level, which gave us the evidence we needed for our opinion on the Group financial statements as a whole.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to material misstatement in the Group financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules and UK and US tax legislation. Our tests included, but were not limited to, review of legal correspondence and enquiries of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Materiality

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

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

Overall Group materiality	£377,000
How we determined it	2.5% of consolidated EBITDA, adjusted for exceptional items.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, EBITDA is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £69,000 and £355,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £18,800 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material

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

misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- certain disclosures of Directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the Company financial statements of The Pebble Group plc for the period ended 31 December 2019.

Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Manchester
8 April 2020

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	5	**(67,107)**	(64,827)
Gross profit		**40,056**	28,130
Operating expenses	5	**(27,585)**	(19,650)
Operating expenses – exceptional	7	**(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	13	**(1,246)**	(1,013)
Amortisation	12	**(1,455)**	(569)
Exceptional items	7	**(17,338)**	(1,303)
Private equity monitoring costs	7	**–**	(47)
Total operating (loss)/profit		**(4,867)**	7,177
Finance expense	8	**(5,426)**	(5,843)
(Loss)/profit before taxation		**(10,293)**	1,334
Income tax expense	10	**(2,032)**	(1,025)
(Loss)/profit for the year		**(12,325)**	309
Basic and diluted (loss)/earnings per share	11	**(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 £'000**	Year ended 31 December 2018 (Restated) £'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 £'000	As at 31 December 2018 (Restated) £'000
ASSETS			
Non-current assets			
Intangible assets	12	**50,167**	50,548
Property, plant and equipment	13	**6,081**	4,794
Deferred tax assets	14	**167**	269
Total non-current assets		**56,415**	55,611
Current assets			
Inventories	16	**7,952**	7,450
Trade and other receivables	17	**25,544**	26,625
Cash and cash equivalents	18	**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	19	**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	20	**28,556**	31,016
TOTAL LIABILITIES		**35,874**	101,249
NET ASSETS/(LIABILITIES)		**62,898**	(3,413)
Equity and reserves			
Share capital	22	**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)

The notes on pages 58-90 are an integral part of these financial statements.

The financial statements on pages 53-90 were approved by the Board of Directors and authorised for issue on 8 April 2020, and were signed on its behalf by:

C Thomson
Director

Consolidated statement of changes in equity
For the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	(Accumulated losses)/ retained earnings £'000	Total equity £'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 (note 22)	(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**

The notes on pages 58-90 are an integral part of these financial statements.

Consolidated cash flow statement
For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Operating (loss)/profit		**(4,867)**	7,177
Adjustments for:			
– Amortisation	12	**1,455**	569
– Depreciation	13	**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	16	**(502)**	203
– Change in trade receivables	17	**1,081**	(2,689)
– Change in trade payables	20	**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	13	**(603)**	(633)
– Purchase of intangible assets	12	**(1,483)**	(602)
– Acquisition of subsidiaries and net cash outflows on change in ownership	25	**(1,293)**	(10,223)
Net cash flows used in investing activities		**(3,379)**	(11,458)
Cash flows from financing activities			
– Repayment of borrowings	19	**(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	18	**8,150**	6,288
Effect of exchange rate fluctuations on cash held		**(209)**	(476)
Cash and cash equivalents at end of year	18	**8,861**	8,150

The notes on pages 58–90 are an integral part of these financial statements.

Notes to the Group financial statements

1. General information

The principal activity of The Pebble Group plc (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 products internationally, to many of the world's best-known brands, and for Facilisgroup the provision of technology, consolidated buying power and community learning and networking events to SME promotional product distributors in North America, its Partners, through subscription-based services.

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

2. Accounting policies

(a) Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRS Interpretations Committee ("IFRIC IC") interpretations endorsed by the European Union and those parts of the Companies Act 2006 that remain applicable to companies reporting under IFRS. The Company financial statements have been prepared under FRS 102. Both financial statements have been prepared on the historical cost basis with the exception of certain items which are measured at fair value as disclosed in the principal accounting policies set out below. These policies have been consistently applied to all years presented unless otherwise stated.

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

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 one share of £1.

On 5 November 2019:

- the one ordinary share of £1.00 in issue was subdivided and redesignated 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 ordinary 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.

2. Accounting policies (continued)

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 12).

(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 of 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

Notes to the Group financial statements

(continued)

2. Accounting policies (continued)

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 committed facility was drawn down leaving a further £1.3m remaining to cover ancillaries available if required.

(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.

2. Accounting policies (continued)

(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) Finance costs

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

(j) Intangible assets

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

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

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

Customer relationships

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

Development costs

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

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

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

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

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

Computer software

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

Notes to the Group financial statements
(continued)

2. Accounting policies (continued)

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

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

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

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

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

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

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

(m) Financial instruments

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

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

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

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

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

2. Accounting policies (continued)

Financial liabilities

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

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

Financial derivatives

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

(n) Foreign currencies

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

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

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

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

(o) Tangible assets and depreciation

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

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

Leasehold property – 3-15 years

Fixtures and fittings – 5 years

Computer hardware – 5 years

(p) Cash and cash equivalents

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

(q) Inventories

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

(r) Leases

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

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

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

Notes to the Group financial statements
(continued)

2. Accounting policies (continued)

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

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

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

(s) 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.

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

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

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

(u) Equity, reserves and dividend payments

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

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

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

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

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

Dividends are recognised when approved by the Group's shareholders or, in the case of interim dividends, when the dividend has been paid.

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 12.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

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 12.

4. Segmental analysis

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

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

Segment information about the above businesses is presented 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.

Notes to the Group financial statements

(continued)

4. Segmental analysis (continued)

Major customers

In 2019 there was one major customer that individually accounted for at least 10% of total revenues (2018: one 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 £'000	Year ended 31 December 2018 £'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 £'000	Year ended 31 December 2018 £'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.

4. Segmental analysis (continued)

Income statement for the year ended 31 December 2019

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

Notes to the Group financial statements
(continued)

4. Segmental analysis (continued)

Statement of financial position as at 31 December 2019

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

4. Segmental analysis (continued)

Income statement for the year ended 31 December 2018

	Brand Addition £'000	Facilisgroup £'000	Central operations £'000	Year ended 31 December 2018 (Restated) £'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

Notes to the Group financial statements
(continued)

4. Segmental analysis (continued)

Statement of financial position as at 31 December 2018

	Brand Addition £'000	Facilisgroup £'000	Central operations £'000	As at 31 December 2018 (Restated) £'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. Expenses by nature

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 (Restated) £'000
Inventory recognised as an expense	**61,924**	59,234
Other cost of sales	**5,183**	5,593
Staff costs (note 6)	**18,896**	14,519
Exceptional items (note 7)	**17,338**	1,303
Amortisation of intangible assets (note 12)	**1,455**	569
Depreciation of property, plant and equipment (note 13)	**1,246**	1,013
Auditors' remuneration (note 9)	**359**	108
Foreign exchange gain and movement in foreign exchange derivative contracts	**(353)**	(158)
Increase/decrease in provision for expected credit losses	**–**	4
Other external charges	**5,982**	3,483
Total cost of sales and operating expenses	**112,030**	85,780

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

6. Employees and Directors

Personnel costs are analysed below:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Staff costs (including Directors) consist of:		
Wages and salaries	**16,805**	12,651
Social security costs	**1,622**	1,447
Other pension costs	**469**	421
Total personnel expenses	**18,896**	14,519

Additional personnel costs of £961,000 (2018: £464,000) have been capitalised as intangible assets (see note 12). Personnel costs above exclude the exceptional deferred contingent payments of £13,465,000 (2018: £460,000) (see notes 7 and 25).

Defined contribution scheme

The amount recognised in the income statement as an expense in relation to the Group's defined contribution plans is £469,000 (2018: £421,000). Included within accruals and other creditors is £60,000 (2018: £70,000) for outstanding contributions to the defined contribution plans.

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

	Year ended 31 December 2019 No.	Year ended 31 December 2018 No.
By function:		
Management	**9**	7
Sales and distribution	**225**	197
Administration	**193**	162
Total employees	**427**	366

The Directors have recategorised employees presented in the comparative information between sales and distribution and administration functions.

Notes to the Group financial statements
(continued)

6. Employees and Directors (continued)

Key management compensation

Key management of the Group is considered to be the Board of Directors. Details of Directors' remuneration is disclosed in the Report of the Remuneration Committee on page 44. Remuneration paid to these individuals on an aggregated basis is as follows:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Salaries including bonuses and social security costs	**654**	353
Pension contributions	**30**	45
Total remuneration	**684**	398

7. Operating expenses – exceptional

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 (Restated) £'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.

8. Finance expense

An analysis is set out below:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'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

9. Auditors' remuneration

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Fees payable to the Company's auditors for the audit of The Pebble Group plc (formerly The Pebble Group Limited)	**48**	3
Fees payable to the Company's auditors in respect of:		
Audit of the Company's subsidiaries	**105**	55
Other assurance services	**12**	3
Fees for taxation advisory services	**80**	48
Acquisition and IPO related	**114**	–
Total auditors' remuneration	**359**	108

10. Income tax expense

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'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 £'000	Year ended 31 December 2018 (Restated) £'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.

Notes to the Group financial statements
(continued)

11. Earnings per share

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

11. Earnings per share (continued)

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 (Restated) £'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

12. Intangible assets

	Goodwill £'000	Customer relationships £'000	Software and Development costs £'000	Work in progress £'000	Total £'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.

Notes to the Group financial statements
(continued)

12. Intangible assets (continued)

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.

(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 are between 17 and 19 years (2018: 18 and 20 years) and for software and development costs are 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 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 CGU and 13% for the Facilisgroup CGU. 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 £'000	As at 31 December 2018 (Restated) £'000
Brand Addition	**32,981**	32,981
Facilisgroup	**2,901**	2,977
	35,882	35,958

13. Property, plant and equipment

	Leasehold property £'000	Fixtures and fittings £'000	Computer hardware £'000	Right-of-use assets £'000	Total £'000
Cost					
Balance at 1 January 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).

Notes to the Group financial statements
(continued)

14. Deferred tax assets and liabilities

Deferred tax assets and liabilities are analysed as follows.

	As at 31 December 2019 £'000	As at 31 December 2018 (Restated) £'000
Accelerated capital allowances	**167**	269
On intangible assets	**(1,816)**	(1,978)

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

Changes during each year are as follows:

	Asset £'000	Liability £'000 (Restated)
Balance at 1 January 2018	250	–
Tax credit in respect of current year	11	–
Prior period adjustment	8	–
On acquisition of acquired intangibles (note 25)	–	(1,978)
Balance at 31 December 2018	269	(1,978)
Tax (charge)/credit in respect of current year	(102)	96
Foreign exchange translation	–	66
Balance at 31 December 2019	**167**	**(1,816)**

There are unrecognised deferred tax assets relating to capital losses of £9,900,000 (2018: £9,900,000) and in respect of trading losses of £276,000 (2018: £nil). The Directors have assessed that there will not be sufficient taxable profits available in future periods, for the entities in the Group in which these losses reside, in order to utilise these losses.

15. Investments

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

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

Name	Registered address	Principal activity	Class of share	Percentage holding
The Pebble Group (Holdings) Limited	Broadway Trafford Wharf Road Manchester M17 1DD	Holding company	Ordinary	100%
Project Amber Bidco Limited				
H.I.G Milan UK Topco Limited		Holding company	Ordinary	100%
H.I.G Milan UK Midco Limited		Holding company	Ordinary	100%
H.I.G Milan UK Bidco Limited		Holding company	Ordinary	100%
Brand Addition Limited		Holding company	Ordinary	100%
Product Plus International Limited		Promotional merchandise	Ordinary	100%
Gearworks Limited		Non-trading	Ordinary	100%
Brand Addition Asia Limited	Unit 1605 16th Floor Tower 3 Enterprise Square No. 9 Sheung Yuet Road Kowloon, Hong Kong	Promotional merchandise	Ordinary	100%
Brand Addition Ireland Limited	Unit G2 Calmount Business Park Ballymount, Dublin 12	Promotional merchandise	Ordinary	100%
Brand Addition Reklam Urunleri Dagitim ve Ticaret Limited Sirketi	Buyukdere Caddesi Meydan Sokak Spring Giz Plaza Kat:13 Sisli-Istanbul, Turkey	Promotional merchandise	Ordinary	100%

15. Investments (continued)

Name	Registered address	Principal activity	Class of share	Percentage holding
Brand Addition (Shanghai) Trading Co., Limited	Room 302, Qian Li Center (building T6) Baolong Plaza, No 6 311 Xinlong Road Qibao Town, Minhang District Shanghai, China	Promotional merchandise	Ordinary	100%
H.I.G. Milan Germany Bidco GmbH	Heydastrasse 13-15	Holding company	Ordinary	100%
Brand Addition GmbH	58093 Hagen, Germany	Promotional merchandise	Ordinary	100%
The Pebble Group US Bidco Inc.	909 North 20th Street	Holding company	Ordinary	100%
Gateway CDI Inc.	Saint Louis, MO 63103	Promotional merchandise	Ordinary	100%
Facilisgroup LLP	1000 Clark Ave Saint Louis, MO 63102	Promotional merchandise service provider	Ordinary	100%
The Pebble Group Canada Bidco Limited	5320 Canotek Road Gloucester, ON K1J 9C1	Holding company	Ordinary	100%
Facilisgroup Canada Inc.		Promotional merchandise service provider	Ordinary	100%
Weber Facilis Holdings Inc.	3029 Barlow Crescent Dunrobin, ON K0A 1T0	Holding company	Ordinary	100%
Rochette Facilis Holding Inc.	394 Roosevelt Ave Ottawa, ON K2A 1Z3	Holding company	Ordinary	100%

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

16. Inventories

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Work in progress	**104**	–
Finished goods for resale	**7,848**	7,450
Total closing inventories	**7,952**	7,450

Stocks are stated after provisions for impairment of £88,000 (2018: £132,000).
There is no difference between the replacement cost of stocks and carrying value.

Notes to the Group financial statements
(continued)

17. Trade and other receivables

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Amounts falling due within one year:		
Trade receivables not past due	**18,575**	17,936
Trade receivables past due	**2,892**	3,812
Provision for trade receivables	**(45)**	(45)
Trade receivables net	**21,422**	21,703
Contract assets	**1,676**	2,160
Other debtors	**1,542**	1,877
FX derivative	**58**	–
Prepayments	**846**	885
	25,544	26,625

Currency analysis

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Sterling	**10,367**	9,812
Euro	**7,537**	8,146
US Dollar	**5,860**	5,972
Chinese Renminbi	**1,474**	2,307
Other	**306**	388
Total trade and other receivables	**25,544**	26,625

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

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

	Gross £'000	Provision £'000	2019 net £'000	Gross £'000	Provision £'000	2018 net £'000
Trade receivables, other receivables and accrued income						
– Not yet due	**21,793**	**–**	**21,793**	22,094	–	22,094
– Up to 3 months overdue	**2,307**	**–**	**2,307**	3,126	–	3,126
– 3 to 6 months past due	**332**	**–**	**332**	357	–	357
– Over 6 months past due	**253**	**(45)**	**208**	208	(45)	163
	24,685	**(45)**	**24,640**	25,785	(45)	25,740

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

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

18. Cash and cash equivalents

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Cash and cash equivalents	**8,861**	8,150

Currency analysis

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Sterling	**1,241**	529
Euro	**2,623**	3,218
US Dollar	**3,545**	3,643
Other	**1,452**	760
Total cash and cash equivalents	**8,861**	8,150

19. Non-current liabilities

	As at 31 December 2019 £'000	As at 31 December 2018 (Restated) £'000
Bank loans and overdrafts	–	19,941
Other loans	–	27,297
Preference shares	–	16,769
IFRS 16 lease liability (note 21)	**5,502**	4,248
Total non-current liabilities	**5,502**	68,255

Borrowings are repayable as follows:

	As at 31 December 2019 £'000	As at 31 December 2018 (Restated) £'000
Bank loans		
Between two and five years	–	21,092
Debt issue costs	–	(1,151)
Other loans		
Between two and five years	–	27,706
Debt issue costs	–	(409)
Preference shares		
Between two and five years	–	16,769
IFRS 16 lease liability		
Between two and five years	**2,998**	2,503
In more than five years	**2,504**	1,745
Total borrowings	**5,502**	68,255

The above carrying values of the borrowings equate to the fair values. Borrowings are secured against all the assets of the Group.

Notes to the Group financial statements
(continued)

19. Non-current liabilities (continued)

	As at 31 December 2019 %	As at 31 December 2018 %
Average interest rates at the balance sheet date		
Bank loans	–	3.88
Other loans	–	10.00
Preference shares	–	10.00

Currency analysis

	As at 31 December 2019 £'000	As at 31 December 2018 (Restated) £'000
Sterling	**3,055**	42,031
Euro	**24**	20,521
US Dollar	**2,124**	5,199
Chinese Renminbi	–	79
Other	**299**	425
	5,502	68,255

As part of the IPO process, the bank loans and other loans were settled in full and the preference shares were redeemed on 6 December 2019.

Bank loans
Bank loans were secured by way of fixed and floating charge over all assets of the Group. Interest was charged at a EURIBOR or LIBOR linked variable rate. No security was given for other loans.

Additional loan facilities of £11,580,000 were received in the year ended 31 December 2018 to fund the Facilisgroup acquisition. Debt issue costs associated with these loans were £672,000.

Debt issue costs of £2,091,000 (2018: £2,091,000) capitalised against the bank and other loans raised were being amortised over the term of the loans but have been amortised in full in 2019. Amortisation of £1,730,000 (2018: £343,000) has been charged during the year, with £412,000 included within finance expense relating to the period up to IPO and £1,318,000 included within exceptional items being the remaining unamortised fees at IPO date.

Other loans
Other loans related to mezzanine finance and investor loans issued to the Group. Mezzanine finance was unsecured and bears interest at market rates. Interest was charged at a variable rate linked to EURIBOR. Investor loans were unsecured and accrued interest at a fixed rate of 10%.

Preference shares
The Group has held A and B preference shares as follows:

	A preference shares £0.00001	B preference shares £0.00001	Total preference share capital £
At 1 January 2018 and 31 December 2018	13,711,749	599,417	143
Group reorganisation	(13,711,749)	(599,417)	(143)
Issued for share for share exchange on 5 November 2019	13,711,749	599,417	143
Redeemed on 6 December 2019	(13,711,749)	(599,417)	(143)
At 31 December 2019	–	–	–

The 10% cumulative A and B preference shares were mandatorily redeemable at a fixed future date and were redeemed on 6 December 2019 following Admission. Dividends accrued at 10% compounding and were non-discretionary. The closing amounts were therefore £nil (2018: £16,769,000) and included accumulated interest of £nil (2018: £2,458,000).

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

20. Current liabilities

	As at 31 December 2019 £'000	As at 31 December 2018 (Restated) £'000
Bank loans and overdrafts	–	1,192
IFRS 16 lease liability (note 21)	**838**	899
Corporation tax	**149**	608
Trade payables	**16,577**	18,823
Other taxation and social security	**107**	451
Other payables	**1,096**	1,087
Accruals	**8,155**	5,145
Contract liabilities	**1,634**	1,058
Deferred consideration (note 25)	–	1,753
Total current liabilities	**28,556**	31,016

Revenues totalling £1,058,000 were recognised in the year ended 31 December 2019 that were included in the contract liability balance as at 31 December 2018.

Currency analysis

	As at 31 December 2019 £'000	As at 31 December 2018 (Restated) £'000
Sterling	**17,473**	16,669
Euro	**3,735**	5,575
US Dollar	**6,150**	6,789
Chinese Renminbi	**788**	1,634
Other	**410**	349
Total current liabilities	**28,556**	31,016

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

21. Leases

Amounts recognised in the Consolidated statement of financial position

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

Right-of-use assets	£'000
Balance at 1 January 2018	4,020
New leases recognised in the year	70
Recognised on acquisition	524
Depreciation charge for the year	(717)
Balance at 31 December 2018	3,897
Impact of foreign exchange translation	3
New leases recognised in the year	2,101
Disposal	(151)
Depreciation charge for the year	(889)
Balance at 31 December 2019	**4,961**

These are included within "Property, plant and equipment" in the Consolidated Statement of Financial Position.

Notes to the Group financial statements
(continued)

21. Leases (continued)

Lease liabilities	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	**1,044**	1,220
More than one year, less than two years	**1,305**	1,004
More than two years, less than three years	**1,070**	850
More than three years, less than four years	**977**	770
More than four years, less than five years	**933**	676
More than five years	**2,822**	1,941
Total undiscounted lease liabilities at year end	**8,151**	6,461
Finance costs	**(1,811)**	(1,314)
Total discounted lease liabilities at year end	**6,340**	5,147
Lease liabilities included in the statement of financial position:		
Current	**838**	899
Non-current	**5,502**	4,248
	6,340	5,147

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

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Depreciation charge – leasehold property	**782**	633
Depreciation charge – fixtures and fittings	**54**	65
Depreciation charge – computer hardware	**53**	19
	889	717
Interest expense (within finance expense)	**419**	332

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

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

22. Share capital

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

	Ordinary shares Number	Deferred shares Number	A ordinary shares Number	B ordinary shares Number	C1 ordinary shares Number	C2 ordinary shares Number	Total share capital £	Share premium £
At 1 January 2018 and 31 December 2018	–	–	7,882,522	211,091	726,475	931,253	58,099	941,899
Issued on 27 September 2019	1	–	–	–	–	–	1	–
Subdivision	(1)	–	–	100	–	–	–	–
Group reorganisation	–	–	(7,882,522)	(211,091)	(726,475)	(931,253)	(58,099)	(941,899)
Issued for share for share exchange on 5 November 2019	–	–	7,882,522	210,991	726,475	931,253	58,099	–
Bonus issue	–	–	14,180,657,078	379,752,709	1,306,928,525	1,675,324,147	104,523,339	–
Share consolidation	–	–	(14,117,596,902)	(378,063,981)	(1,301,116,725)	(1,667,874,123)	–	–
Capital reduction	–	–	–	–	–	–	(103,535,625)	–
Share conversion	92,016,939	12,564,501	(70,942,698)	(1,899,819)	(6,538,275)	(8,381,277)	–	–
Issue on IPO	75,433,954	–	–	–	–	–	754,340	78,451,312
At 31 December 2019	**167,450,893**	**12,564,501**	**–**	**–**	**–**	**–**	**1,800,154**	**78,451,312**

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

The holders of the deferred shares are not entitled to vote or participate in a dividend or other distribution. On a return of capital, the holders of the deferred shares shall be entitled to receive only the amount paid up or credited as paid up and shall become entitled to receive such amount only once the holders of the ordinary shares have been paid in respect of each ordinary share the amount paid up or credited as paid up thereon plus £250,000,000. The deferred shares are non-redeemable by the holders. The Company intends to purchase all of the deferred shares on the date of the Company's Annual General Meeting in 2020, on the basis of each of the eight holders of deferred shares receiving no more than £1 each in respect of such purchase. Accordingly, the deferred shares are excluded from the calculation of earnings per share as presented in note 11.

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 redesignated 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.

Notes to the Group financial statements
(continued)

22. Share capital (continued)

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.

23. Analysis and reconciliation of net debt

	1 January 2018 £'000	Acquisitions £'000	Other non-cash changes £'000	Cash flow £'000	31 December 2018 £'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 £'000	**Acquisitions £'000**	**Other non-cash changes £'000**	**Cash flow £'000**	**31 December 2019 £'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.

24. Financial risk management and financial instruments by category

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

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

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

Market risk

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

Currency risk

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

As the Group derives an amount of its earnings from overseas operations, the Group is affected by movements in exchange rates. This would affect both the balance sheet and the income statement. For a 10% strengthening in the Sterling exchange rate, the trading operating profit would reduce by £606,000 (2018: £227,000) and the net assets would decrease by £1,027,000 (2018: £662,000). A 10% weakening of the Sterling against the individual functional currencies would have the equal and opposite effect on operating profit and net assets as shown above on the basis that all other variables remain constant.

Liquidity risk

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

The Group policy throughout the period has been to ensure continuity of funding. Short-term flexibility is achieved by revolving working capital facilities. The maturity of borrowings is set out in note 19 to the financial statements.

The Company is party to a Group cross-guarantee banking arrangement, which is a revolving credit facility of £10,000,000 expiring in November 2023. Interest is charged at a rate of LIBOR + 1.9%. As at year end the facility had not been used and the balance was £nil.

Credit risk

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

Interest rate risk, including cash flow interest rate risk

The Group finances its operations through retained profits. The Group is therefore not susceptible to interest rate risk.

Sensitivity to interest rate fluctuations

Borrowings have historically been held at a mixture of fixed and floating rates. The Group has historically managed its exposure to interest rate risk using an interest rate cap. Hedge accounting was not applied. All borrowings other than lease liabilities were settled on Admission, reducing the interest rate risk significantly.

A 1% increase in the interest rate applied to interest bearing borrowings would have reduced 2019 profit before tax by £63,000 (2018: £703,000). A 1% reduction would have had the equal and opposite effect on 2019 profit before tax.

Notes to the Group financial statements
(continued)

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

Summary of financial assets and liabilities by category

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

	As at 31 December 2019 £'000	As at 31 December 2018 (Restated) £'000
Financial assets		
Financial assets measured at amortised cost		
Trade and other receivables	**22,964**	23,580
Contract assets	**1,676**	2,160
Cash and cash equivalents	**8,861**	8,150
	33,501	33,890
Financial assets measured at fair value through profit or loss		
FX derivative asset	**58**	–
	33,559	33,890
Financial liabilities		
Financial liabilities measured at amortised cost		
Non-current:		
Borrowings	**–**	(64,007)
Lease liabilities	**(5,502)**	(4,248)
Current:		
Borrowings	**–**	(1,192)
Lease liabilities	**(838)**	(899)
Trade and other payables	**(17,673)**	(20,517)
Accruals	**(8,155)**	(5,145)
Contract liabilities	**(1,634)**	(1,058)
Deferred consideration	**–**	(1,753)
	(33,802)	(98,212)
Net financial assets and liabilities	**(243)**	(64,322)
Non-financial assets and liabilities		
Plant, property and equipment	**6,081**	4,794
Goodwill	**35,882**	35,958
Other intangible assets	**14,285**	14,590
Inventory	**7,952**	7,450
Prepayments	**846**	885
Deferred tax asset	**167**	269
Deferred tax liability	**(1,816)**	(1,978)
Other taxation and social security	**(107)**	(451)
Current tax liabilities	**(149)**	(608)
	63,141	60,909
Total equity	**62,898**	(3,413)

The maturity analysis for borrowings and lease liabilities is presented in note 19. All other financial liabilities have a maturity of less than 12 months (i.e. are all current).

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

Capital management policies and procedures

The Group's capital management objectives are:

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

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

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

The only derivative financial instrument assets used by the Group are foreign currency forward contracts that are disclosed in the table in note 24. These derivatives are only used for economic hedging purposes and not as speculative investments. They are classified as "held for trading" for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The gross value of foreign currency forward contracts held at the end of the reporting period was $3,950,000 and €5,250,000. The contracts matured within two to seven months of the year end.

25. 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 (addition to goodwill in 2019)			1,293
Total consideration paid			13,040

Notes to the Group financial statements

(continued)

26. Related party transactions

The Directors consider there to be no ultimate controlling party following Admission in December 2019. During the current and prior year, related parties include representatives of major shareholder, Elysian Capital LLP, and parent and intermediate parent entities ultimately owned by the same shareholders. Related party balances with the Company are as follows, with key management compensation given in note 6.

From 8 May 2017 the Group and Elysian Capital LLP were related parties due to the existence of common members/ directorships and because the private equity funds Elysian Capital II LP and Elysian Executive Management LP, which are managed by Elysian Capital LLP, owned a controlling interest in The Pebble Group (Holdings) Limited up to Admission in December 2019. The Group had issued loan notes with a nominal value of £7,151,380 to Elysian Capital II LP and £493,064 to Elysian Capital Executive Management. The loan notes bore interest compounded at 10% per annum. Total interest payable in the year was £832,438 (2018: £761,700) and the total outstanding balance of £2,145,115 was repaid on Admission and the balance at year end was £nil (2018: £761,700). The Group had issued preference shares with a nominal value of £12,257,240 to Elysian Capital II LP and £845,098 to Elysian Capital Executive Management. Dividends accrued on the preference shares at a compounding rate of 10%. The total amount accrued in the year was £1,404,845 (2018: £1,395,688) and the total outstanding balance of £3,654,858 was repaid on Admission and the balance at year end was £nil (2018: £1,395,688).

A number of the Group's senior managers were shareholders in The Pebble Group (Holdings) Limited up to the date of Admission and of The Pebble Group plc (formerly The Pebble Group Limited) post Admission. This includes certain Directors as set out in the Directors' Remuneration Report on page 44. The Group had issued loan notes with a nominal value of £555,316 to management. The loan notes bore interest compounded at rates between 4% and 10% per annum. Total interest payable in the year was £46,256 (2018: £45,171) and the total outstanding balance of £120,110 was repaid on Admission and the balance at the year end was £nil (2018: £45,171).

The Group had issued preference shares with a nominal value of £599,417 to management. Dividends accrued on the preference shares at a compounding rate of 10%. The total amount accrued in the year was £64,270 (2018: £63,850) and the total outstanding balance of £167,206 was repaid on Admission and the year-end balance was £nil (2018: £63,850).

The Group and Beechbrook Private Debt III SARL were related parties as Beechbrook Private Debt SARL III was a minority shareholder in The Pebble Group (Holdings) Limited until Admission.

The Group had issued loan notes with a nominal value of £481,388 to Beechbrook Private Debt III SARL. The loan notes bore interest compounded at rates between 4% and 10% per annum. Total interest payable at the year ended 31 December 2019 was £43,716 (2018: £42,978) and the total outstanding balance of £151,936 was settled on Admission and the year-end balance was £nil (2018: £42,978).

The Group had issued preference shares with a nominal value of £609,411 to Beechbrook Private Debt III SARL. Dividends accrued on the preference shares at a compounding rate of 10%. The total amount accrued in the year was £65,342 (2018: £64,915) and the total outstanding balance of £169,993 was settled on Admission and the year-end balance was £nil (2018: £64,915).

During the year, management charges of £nil (2018: £52,050) were invoiced to the Group by Elysian Capital LLP.

27. 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.

Independent auditors' report to the members of The Pebble Group plc
Report on the audit of the Company financial statements

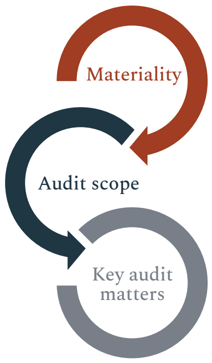
Opinion
In our opinion, The Pebble Group plc's Company financial statements (the "financial statements"):
- give a true and fair view of the state of the Company's affairs as at 31 December 2019;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report (the "Annual Report"), which comprise: the Company balance sheet as at 31 December 2019 and the Company statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

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

Our audit approach
Overview



Overall materiality: £339,000, based on 1% of total assets, restricted to 90% of Group financial statement materiality.

This is the first financial period for the entity. We performed full scope audit procedures over The Pebble Group plc (the parent company of the Group).

- Impact of COVID-19.
- Accounting for the Initial Public Offering ("IPO").

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

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

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 *Refer to note 11 for further details.* The ongoing and evolving COVID-19 pandemic, and the related government responses to this crisis, is having a significant impact on the economies of those countries in which the Company and its subsidiaries (the "Group") operates. There is a high level of uncertainty as to the duration of the pandemic and what its lasting impact will be on those economies. The Directors have considered the potential impact to the Company of the ongoing COVID-19 pandemic in several areas, including the assessment of going concern, the carrying value of the Company's assets and disclosures to be included in the financial statements. The going concern assessment for the Company is predominantly based upon the assessment for the Group as a whole. In relation to the Group's going concern assessment, the Directors adjusted the cash flow forecasts for the period to the end of December 2021 to reflect a number of severe but plausible downside scenarios resulting from the direct and indirect consequences of COVID-19, including, for example, a prolonged reduction in demand. This included an assessment of mitigating actions, such as restricting non-essential capital expenditure and employee related cost savings. The Directors also considered the impact of COVID-19, as a post balance sheet event, on the carrying value of the Company's assets. It was concluded that this is a non-adjusting post balance sheet event, and as such, no changes to the carrying value of assets as at 31 December 2019 are required.	We re-evaluated our risk assessment in particular in relation to the appropriateness of the going concern basis of preparation of the financial statements. Based on the change in circumstances from the date of our planning due to COVID-19, and the evaluation performed by the Directors, we increased the risk to significant. We agreed that the management accounts for the financial year to date were consistent with the starting point of the Directors' revised cash flow forecasts. We also checked the arithmetical accuracy of management's forecasts for the period to the end of December 2021. We evaluated management's downside scenarios, including a worst-case scenario, and challenged their adequacy and underlying assumptions, including the level of reduction in sales, the period of such reduction and the timing and rate of anticipated sales recovery. In doing so, we examined evidence relating to committed customer orders, receipts of cash since 31 December 2019, and communications with key customers regarding intent to settle outstanding receipts due. We examined supporting evidence for the cost mitigations included within the forecasts to corroborate their reasonableness, including an assessment of the Directors' ability to take actions to implement these mitigations if necessary. On the basis of the procedures above, we evaluated the level of forecast liquidity and agreed with management's assessment that there would likely be a sufficient level of working capital throughout the period to the end of December 2021 and banking covenants would likely be met over the same period. We also corroborated the drawdown in March 2020 of funds from the Company's revolving credit facility totalling £7.7m. We recalculated the impact on the Group's banking covenants and corroborated the applicable ratios to the underlying agreement. We evaluated the likelihood of circumstances arising in which a covenant may be breached. We read management's disclosures in the financial statements in relation to the impact of COVID-19 and are satisfied that they are consistent with the assessment performed and correctly identify COVID-19 as a non-adjusting post balance sheet event. We also read the disclosures made in the other information and did not identify any inconsistencies with the financial statements. Our conclusions relating to going concern are included below.
Accounting for the Initial Public Offering ("IPO") *Refer to note 2(a) and note 10 for further details.* The Company listed on the Alternative Investment Market ("AIM") in December 2019. The accounting for the IPO involves complex and judgemental transactions, and therefore there is a risk that these transactions are not accurately calculated or recorded, or are incomplete.	We performed an independent completeness assessment to verify that all IPO related adjustments have been identified. We validated IPO adjustments to supporting documentation, and verified these have been appropriately accounted for in the financial statements. We have also assessed the appropriateness of the disclosures included in notes to the financial statements to reflect these changes during the period.

How we tailored the audit scope

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to material misstatement in the Company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules and UK tax legislation. Our tests included, but were not limited to, review of legal correspondence and enquires of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Materiality

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

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

Overall materiality	£339,000
How we determined it	1% of total assets.
Rationale for benchmark applied	The Company is a non-trading holding company. The entity's assets relate solely to their ownership of the subsidiary trading companies and thus reflect the Company's purpose. Company materiality has been restricted to ensure it is not greater than 90% of the Group's financial statement materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £16,950 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the Group financial statements of The Pebble Group plc for the year ended 31 December 2019.

Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Manchester
8 April 2020

Company balance sheet
As at 31 December 2019

	Note	2019 £'000
Fixed assets		
Investments	5	**126,106**
Current assets		
Trade and other receivables	6	**59,602**
		59,602
Creditors: amounts falling due within one year	7	**(1,975)**
Net current assets		**57,627**
Total assets less current liabilities		**183,733**
Net assets		**183,733**
Capital and reserves		
Called up share capital	8	**1,800**
Share premium	10	**78,451**
Other reserves	10	**713**
Retained earnings	10	**102,769**
Total shareholders' funds		**183,733**

The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to produce its own profit and loss account. The loss for the period dealt within the financial statements of the Company was £766,000.

The Company financial statements on pages 95-101 were approved by the Board of Directors on 8 April 2020 and were signed on its behalf by:

C Thomson
Director

The notes on pages 97-101 form part of these Company financial statements.

Company statement of changes in equity
For the period ended 31 December 2019

	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
On incorporation on 27 September 2019	–	–	–	–	–
Loss for the period	–	–	–	(766)	(766)
Total comprehensive expense for the period	–	–	–	(766)	(766)
Transactions with owners:					
Shares issued in the period	58	–	105,236	–	105,294
Bonus issue of shares	104,523	–	(104,523)	–	–
Capital reduction	(103,535)	–	–	103,535	–
Issue of shares on IPO	754	78,451	–	–	79,205
Total transactions with owners, recognised in equity	1,800	78,451	713	103,535	184,499
Balance at 31 December 2019	**1,800**	**78,451**	**713**	**102,769**	**183,733**

The notes on pages 97-101 form part of these Company financial statements.

Notes to the Company financial statements

1. General information

The Pebble Group plc (formerly The Pebble Group Limited) (the "Company") was incorporated in the United Kingdom on 27 September 2019 and is a public company limited by shares, registered and domiciled in England & Wales. The registered office of the Company is Broadway House, Trafford Wharf Road, Trafford Park, Manchester, England M17 1DD. The company registration number is 12231361. The Company's principal activity is that of a holding company.

2. Accounting policies

(a) 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 and followed a Group reorganisation to facilitate the IPO, further details of which can be found under the basis of preparation paragraph in the consolidated financial statements.

These financial statements have been prepared under merger accounting principles because the transaction under which the Company became the holding company of The Pebble Group (Holdings) Limited, the previous parent undertaking of the Pebble trading operations, was a Group reorganisation as the Company did not actively trade at that time.

(b) Reporting framework

The separate financial statements of the Company have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006.

The financial information is presented in Sterling and has been rounded to the nearest thousand (£'000). The Company has presented a period from incorporation on 27 September 2019 to 31 December 2019.

The principal accounting policies, which have been applied consistently to all the years presented, are set out below.

(c) Financial Reporting Standard 102 – reduced disclosure exemptions

The following exemptions from the requirements in FRS 102 have been applied in the preparation of these financial statements:

- the requirements of section 7 Statement of Cash Flows;
- the requirements of section 3 Financial Statement Presentation, paragraph 3.17 (d);
- the requirements of section 11 Financial Instruments, paragraphs 11.41(b), 11.41(c), 11.41(e). 11.41(f), 11.42, 11.44 to 11.45, 11.48(a)(iii), 11.48(a)(iv),11.48(b) and 11.48(c);
- the requirements of section 12 Other Financial Instruments, paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.w9A; and,
- the requirements of section 33 Related Party Disclosures, paragraphs 33.7.

This information is included in the consolidated financial statements found earlier in this report.

(d) Company profit and loss account

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's loss after taxation for the period was £766,000. There are no material differences between the loss after taxation in the current period and its historical cost equivalent. Accordingly, no note of historical cost profits and losses has been presented.

(e) Going concern

The Company meets its day-to-day working capital requirements through cash generated from the subgroup in which it holds its investment and utilising its overdraft facility to fund peak seasonal demands. The Directors have prepared cash flow forecasts and projections for the two years ending 31 December 2021 for the Group; see the going concern disclosure within the Group accounts. Based on this, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Company financial statements.

(f) Dividend distribution

The distribution of a dividend to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which it is approved by the Company's shareholders.

(g) Investment in subsidiary undertakings

Investments in subsidiaries are stated at cost less accumulated impairment.

(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.

Notes to the Company financial statements
(continued)

2. Accounting policies (continued)

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(i) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of issue.

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

(j) Merger relief reserve

During the year the Company became the ultimate parent company of the Group. The merger relief reserve included in other reserves was created during the year as a result of the share for share exchange under which The Pebble Group plc (formerly The Pebble Group Limited) became the parent undertaking prior to the IPO. The merger relief reserve includes the premium received on the issue of share capital in the share for share exchange.

(k) Retained earnings

Retained earnings includes all current and prior period retained profits and losses separately within equity.

All transactions with owners of the parent are recorded.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

(m) Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

3. Critical accounting estimates and judgements

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

Non-current asset impairment

The Directors are required to assess whether there are any indicators of impairment at each reporting date. All relevant potential indicators are considered, including the performance of the underlying trading group and the results of the Group's impairment reviews performed as at the same date. The Directors exercise their judgement in determining whether any such indicators exist. Where an indicator of impairment is identified in relation to the Company's investments, a full impairment review is performed.

The Directors performed their assessment and concluded that no impairment indicators existed at 31 December 2019 and, as such, a full impairment review over the Company's investments in subsidiaries was not performed.

4. Remuneration of Directors and auditors

Details of Directors' remuneration are shown in the Directors' Remuneration Report on page 44 of the Group financial statements. Details of auditors' remuneration are shown in note 9 of the Group financial statements. The Company has no employees.

5. Investments

	£'000
Cost and carrying amount	
On incorporation	–
Additions	126,106
At 31 December 2019	126,106

On 5 November 2019, the Company acquired the entire share capital of The Pebble Group (Holdings) Limited by way of a share for share exchange, with the issue of shares as set out in note 22 to the Group financial statements. The fair value of shares acquired was £119,606,000.

On 6 December 2019, the Company subscribed for additional share capital in The Pebble Group (Holdings) Limited at a value of £6,500,000.

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

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

Name	Registered address	Principal activity	Class of share	Percentage holding
The Pebble Group (Holdings) Limited	Broadway	Holding company	Ordinary	100%
Project Amber Bidco Limited	Trafford Wharf Road			
H.I.G Milan UK Topco Limited	Manchester	Holding company	Ordinary	100%
H.I.G Milan UK Midco Limited	M17 1DD	Holding company	Ordinary	100%
H.I.G Milan UK Bidco Limited		Holding company	Ordinary	100%
Brand Addition Limited		Holding company	Ordinary	100%
Product Plus International Limited		Promotional merchandise	Ordinary	100%
Gearworks Limited		Non-trading	Ordinary	100%
Brand Addition Asia Limited	Unit 1605 16th Floor Tower 3 Enterprise Square No. 9 Sheung Yuet Road Kowloon, Hong Kong	Promotional merchandise	Ordinary	100%
Brand Addition Ireland Limited	Unit G2 Calmount Business Park Ballymount, Dublin 12	Promotional merchandise	Ordinary	100%
Brand Addition Reklam Urunleri Dagitim ve Ticaret Limited Sirketi	Buyukdere Caddesi Meydan Sokak Spring Giz Plaza Kat:13 Sisli-Istanbul, Turkey	Promotional merchandise	Ordinary	100%
Brand Addition (Shanghai) Trading Co., Limited	Room 302, Qian Li Center (building T6) Baolong Plaza, No 6 311 Xinlong Road Qibao Town, Minhang District Shanghai, China	Promotional merchandise	Ordinary	100%
H.I.G. Milan Germany Bidco GmbH	Heydastrasse 13-15	Holding company	Ordinary	100%
Brand Addition GmbH	58093 Hagen, Germany	Promotional merchandise	Ordinary	100%
The Pebble Group US Bidco Inc.	909 North 20th Street	Holding company	Ordinary	100%
Gateway CDI Inc.	Saint Louis, MO 63103	Promotional merchandise	Ordinary	100%
Facilisgroup LLP	1000 Clark Ave Saint Louis, MO 63102	Promotional merchandise service provider	Ordinary	100%

Notes to the Company financial statements
(continued)

5. Investments (continued)

Name	Registered address	Principal activity	Class of share	Percentage holding
The Pebble Group Canada Bidco Limited	5320 Canotek Road Gloucester, ON K1J 9C1	Holding company	Ordinary	100%
Facilisgroup Canada Inc.		Promotional merchandise service provider	Ordinary	100%
Weber Facilis Holdings Inc.	3029 Barlow Crescent Dunrobin, ON K0A 1T0	Holding company	Ordinary	100%
Rochette Facilis Holding Inc.	394 Roosevelt Ave Ottawa, ON K2A 1Z3	Holding company	Ordinary	100%

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

6. Trade and other receivables

	2019 £'000
Amounts owed by Group undertakings	**59,568**
Other debtors	**34**
	59,602

All of the amounts owed by Group undertakings shown above are repayable on demand.

7. Creditors: amounts falling due within one year

	2019 £'000
Accruals and deferred income	**1,975**
	1,975

The Company is party to a Group cross-guarantee banking arrangement, which is a revolving credit facility of £10,000,000 expiring in November 2023. Interest is charged at a rate of LIBOR + 1.9%. As at year end the facility had not been used and the balance was £nil.

8. Called up share capital

Details of movements in shares are set out in note 22 to the Group financial statements.

9. Related party transactions

The Company has taken advantage of the exemption included in Section 33 of FRS 102 "Related Party Disclosures" to not disclose details of transactions with Group undertakings, on the grounds that it is the parent company of a Group whose financial statements are publicly available.

Directors' transactions

Details of the Directors' interests in the ordinary share capital of the Company are provided in the Directors' Report.

10. Reserves

Admission to AIM

This note should be read in conjunction with the Statement of changes in equity. The Group's Admission to AIM involved a number of transactions for the Company which are explained in detail in note 2 to the Group financial statements and summarised below:

Group reorganisation

Prior to Admission, the Company acquired the entire share capital of The Pebble Group (Holdings) Limited in exchange for issuing the same number of its own ordinary A, B, C1 and C2 shares and A and B preference shares to the existing shareholders of The Pebble Group (Holdings) Limited. This transaction was under common control and treated as a capital restructuring and not a business combination. The Company recorded the investment at fair value and applied Group reconstruction relief, leading to the creation of the other reserves (merger relief reserve) of £105,236,000.

The Company subsequently made a bonus issue of shares of 1,799 for every share held, following which the Company completed a share consolidation and capital reduction.

As part of the IPO, the Company issued a further £0.01 ordinary shares at £1.05 per share.

Share premium reserve

Includes premiums on issue of share capital.

Merger relief reserve

Merger relief reserve which has been included in other reserves, includes premiums received on the issue of share capital in a share for share exchange.

Retained earnings

Includes all current and previous retained profits and losses.

11. Post balance sheet events

As referred in note 2(b) to the Group financial statements, 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.

Financial calendar

Financial year end	31 December 2019
Preliminary announcement of full-year results	8 April 2020
Publication of Annual Report and financial statements	30 April 2020
Annual General Meeting	24 June 2020
Preliminary announcement of half-year results	Early September 2020
Publication of Interim Report	October 2020
Financial year end	31 December 2020

Company information

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