The Pebble Group

23 March 2021

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

AUDITED FINAL RESULTS 2020

The Pebble Group, a leading provider of technology, services and products to the global promotional products industry, announces its audited results for the year ended 31 December 2020 ("FY 20"), which show improving markets in Q4 20 and Group revenue and Adjusted EBITDA ahead of market expectations for FY20.

The challenges of 2020 have been safely navigated and, in parallel, our belief that the differentiated market positions and strategies of the Group's businesses continue to provide significant opportunities for growth has been reinforced. The new financial year to 31 December 2021 ("FY 21") has started well, with all areas of the business performing in line with management expectations. The Board views the prospects for the Group with confidence.

Financials

Adjusted results	**2020**	2019	**Variance**
Revenue	**£82.4m**	£107.2m	**£(24.8)m**
Gross profit	**£31.0m**	£40.1m	**£(9.1)m**
Gross profit margin	**37.6%**	37.4%	**0.2 p.p.t.**
Adjusted EBITDA[1]	**£9.8m**	£15.2m	**£(5.4)m**
Adjusted operating profit[2]	**£6.8m**	£13.0m	**£(6.2)m**
Adjusted profit before tax[3]	**£6.1m**	£7.6m	**£(1.5)m**
Underlying operating cash flow[4]	**£7.2m**	£9.1m	**£(1.9)m**
Net cash position (excluding lease liabilities)	**£7.1m**	£8.9m	**£(1.8)m**
Adjusted earnings per share[5]	**2.96p**	2.81p	**0.15p**

Statutory results	**2020**	2019	**Variance**
Operating profit/(loss)	**£5.7m**	£(4.9)m	**£10.6m**
Profit/(loss) before tax[6]	**£5.0m**	£(10.3)m	**£15.3m**
Basic and diluted earnings/(loss) per share	**2.44p**	(12.56)p	**15.00p**

1 *Adjusted EBITDA means operating profit before depreciation, amortisation, share-based payments charge and exceptional items in note 5*

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

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

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

5 *Adjusted EPS represents Adjusted Earnings meaning profit after tax before amortisation of acquired intangible assets, share-based payments charge and exceptional items divided by a weighted average number of shares in issue (2019 is based on the weighted average number of shares in issue post admission as if they were in issue for the full year).*

6 *2019 includes £13.5m deferred consideration payable on the acquisition of Facilisgroup. IFRS3 requires that any deferred consideration payments linked to post acquisition employment conditions are treated as remuneration for post-acquisition services and charged to the income statement over the deferral period. All amounts due to the Facilisgroup vendors were settled in full at IPO; IPO transaction costs of £3.9m; and net finance costs of £5.4m.*

Group highlights

- Swift and deft response across the Group to the turbulence created by the COVID-19 lockdowns, combined with a clear focus on clients, culture and cash, enabled a resilient FY 20 performance
- Investment for growth acceleration continued in Facilisgroup, including acquisition of strategically important software assets for total cash consideration of $5.3m, of which $1.8m was deferred, funded out of Group cash flow
- Added a record number of new Partners to Facilisgroup and maintained excellent retention levels
- Retained all major clients in Brand Addition and implemented two significant new contracts
- Excellent cash management during 2020 with a year end cash balance of £7.1m (2019: £8.9m) after acquisition of software assets of £2.6m and settlement of IPO related costs of £3.5m
- FY 21 has started well and the Board views the prospects for the Group with confidence

Facilisgroup

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

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

Brand Addition

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

- Consumer Promotions revenue remained robust with a comparable performance to 2019
- Corporate Programmes revenue severely impacted in Q2 and Q3 20 as clients reduced marketing activities as a result of lockdown disruption
- Positive signs of recovery in Corporate Programmes in Q4 20, as global clients in sectors such as Technology, Transport, Engineering, and Financial Services re-emerged
- Positive momentum achieved in Q4 20 continues and currently targeting a return towards 2019 revenue levels in FY 21:
    - Very strong order intake in Consumer Promotions division for sales to be invoiced in 2021

  - Corporate Programmes benefitting from full year impact of 2020 client wins, with the anticipated lifting of COVID-19 lockdown restrictions expected to aid the recovery of this division further
- Total orders invoiced or received for 2021 at 19 March 2021 were £41.6m (2020: £31.5m and 2019: £31.4m)

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About The Pebble Group plc - www.thepebblegroup.com

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

Facilisgroup - www.facilisgroup.com

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

Brand Addition - www.brandaddition.com

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

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

A copy of the Final Results 2020 Investor Presentation will be available on the Company's website later today https://www.thepebblegroup.com/investors/results-reports-and-presentations/.

CHAIRMAN'S STATEMENT

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

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

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

The new financial year to 31 December 2021 ("FY 21") has started well with Brand Addition continuing to recover, and continuing strong performance in Facilisgroup. The Group's performance to date is in line with our expectations.

Summary of the year

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

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

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

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

Long-term vision and strategy

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

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

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

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

People and commitment to diversity

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

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

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

Environmental, Social and Governance ("ESG")

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

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

Alongside this, we have strengthened our team via two high quality appointments, with Lucy Penfold as Group General Counsel and Company Secretary and Kirsten Motyl as Senior ESG Officer. From H2 21, we will publish a stand-alone Annual Sustainability Report further setting out our ESG ambitions and progress.

Team

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

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

Dividend

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

Summary and outlook

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

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

Richard Law
Non-executive Chairman

23 March 2021

CHIEF EXECUTIVE'S REVIEW

Overview of the Year

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

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

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

Q1 20: pre COVID-19

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

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

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

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

Q4 20: a positive momentum shift

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

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

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

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

Promotional products market

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

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

Our business model and operational performance

Facilisgroup

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

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

In a year in which promotional products industry sales are estimated to have declined by 20%, the Gross Merchandise Value (GMV) of Facilisgroup Partners (customers) grew by 25% to $1.0bn (FY 19: $0.8bn), representing an almost 5% market share and demonstrating the quality of the Facilisgroup offering and the strength of the Partner businesses. Breaking through $1bn of GMV is a significant milestone for Facilisgroup and in line with our expectation at the beginning of 2020. Equally, the makeup of these orders was different to expectation. High value PPE sales orders were made by a number of our Partners in Q2 20, as traditional sales reduced. As we moved through Q4 20, sales order values began to return towards prior year levels, which we see as positive for the prospects of our Partners and the promotional products industry as lockdown restrictions reduce in 2021.

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

The above resulted in Annual Recurring Revenue increasing by 13% to £9.3m (FY 19: £8.2m). Other Revenue was £0.6m lower, as a result of withdrawing from the supply of ancillary artwork services to our Partners, and lockdowns restricting travel for events and training. However, we did not incur the expenses against this Other Revenue, resulting in a cost reduction in people and overheads. From the above mix, Total Revenue increased by 5% to £9.8m (FY 19: £9.3m).

The recurring revenue model that underpins Facilisgroup continued to deliver excellent returns in 2020. We further invested in the skills and the number people on the team during the year, including significantly strengthening the leadership within the business. In tandem with the cost savings from reduced travel and the cancellation of our annual conference in June, this resulted in Adjusted EBITDA of £6.0m (FY 19: £5.1m) being a return on Total Revenue of 61% (FY 19: 55%).

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

Management Fees from our Partners for our subscription-based technology (~ 75% FY 20 ARR), which are fixed at the beginning of the year for each Partner, based on their prior year GMV. These deliver a highly predictable revenue stream for the business. Our average Management Fees per Partner are expected to remain consistent from 2020 to 2021.

Marketing Fund from our Preferred Suppliers (~ 25% FY 20 ARR) is based upon the value of purchases placed by Partners with our Preferred Suppliers in the year. In 2020, the swing towards Personal Protective Equipment (“PPE”) product has resulted in a lower percentage but similar value of purchases through these Preferred Suppliers compared to 2019. We would expect the percentage of purchases through our Preferred Suppliers to move back towards 2019 percentage levels in 2021.

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

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

1. Order workflow, targeted at distributors of >$2m sales: Powering visibility and growth for mid-tier and larger distributors, this is the product upon which Facilisgroup’s foundation has been based. We will continue to responsibly increase our Partner numbers, ensuring our Partner quality remains high and the community relationships we create with our Partners and suppliers remain strong;
2. Ecommerce stores targeted at distributors of all sizes: Offering a variety of ecommerce stores to drive the sales of our customers, this product is based upon the acquisition of software assets in December 2020. Launching in Q2 21 our aim is to attract additional recurring revenues from existing Partners, support the growth of new Partners and develop new customers from offering this as a stand-alone service; and
3. Order workflow, targeting at distributors of <$2m sales: Developing our technology and strong industry relationships to industry entrepreneurs in the early stage of their business development, this product will offer an adaptation of our existing services. We are investing time and resources into this exciting opportunity with an expected launch in late 2022.

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

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

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

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

Acquisition of Software Assets for Facilisgroup

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

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

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

Brand Addition

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

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

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

In the year, total revenue was 74% of prior year at £72.6m (FY 19: £97.9m).

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

Our Consumer Promotions revenue (~40% FY 20 divisional revenues) remained robust and overall comparable to prior year. In this division, we provide our global clients in the Fast-Moving Consumer Goods and Health and Beauty sectors with product and services that are used as strategic tools in driving their own sales volumes, via gift with purchase promotions through a mixture of retail outlets including supermarkets, pharmacies and online sales.

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

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

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

Our careful cost management with gross margins slightly below the targeted long-term average of 30% resulted in Brand Addition Adjusted EBITDA for the year of £5.2m (FY 19: £10.7m) being 51% below prior year.

Outlook

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

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

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

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

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

Christopher Lee
Chief Executive Officer

23 March 2021

CHIEF FINANCIAL OFFICER'S REVIEW

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

Overview

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

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

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

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

Review of the business

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

	2020	2019	***Variance***
Revenue	**£82.4m**	£107.2m	***£(24.8)m***
Gross profit	**£31.0m**	£40.1m	***£(9.1)m***
Gross profit margin	***37.6%***	*37.4%*	***0.2%***
Adjusted EBITDA	**£9.8m**	£15.2m	***£(5.4)m***
Adjusted EBITDA margin	***11.9%***	*14.2%*	***(2.3)%***
Depreciation and amortisation	**£(3.5)m**	£(2.7)m	***£(0.8)m***
Exceptional items	**£(0.6)m**	£(17.4)m	***£16.8m***
Operating profit/(loss)	**£5.7m**	£(4.9)m	***£10.6m***
Net finance costs	**£(0.7)m**	£(5.4)m	***£4.7m***

Profit/(loss) before tax	**£5.0m**	£(10.3)m	***£15.3m***
Tax	**£(0.9)m**	£(2.0)m	***£1.1m***
Profit/(loss) for the year	**£4.1m**	£(12.3)m	***£16.4m***
Weighted average number of shares (2019: pro-forma)	**167,450,893**	167,450,893	***-***
Adjusted EPS*	**2.96p**	2.81p	***0.15p***
Basic EPS	**2.44p**	(12.56)p	***15.00p***

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

Revenue

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

Gross profit

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

Adjusted EBITDA

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

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

- Central costs increased by £0.8m in the year, as 2020 was the first full year that the Group carried the costs of being listed.

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

Depreciation and amortisation

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

Exceptional items

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

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

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

Operating profit/(loss)

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

Finance costs

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

Taxation

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

Earnings per share

The earnings per share analysis in note 7 covers both adjusted earnings per share (profit after tax before amortisation of acquired intangibles, share-based payments charge and exceptional items divided by the weighted average number of shares in issue during the year), and statutory earnings per share (profit attributable to equity holders divided by the weighted average number of shares in issue during the year). Adjusted earnings (profit after tax before amortisation of acquired intangibles, share-based payments charge and exceptional items) was £5.0m (2019: £4.7m) an increase in adjusted basic earnings per share (2019: pro-forma) of 0.15 pence per share. Basic earnings per share (profit attributable to equity holders divided by the weighted average number of shares in issue during the year) was 2.44 pence per share (2019: loss of 12.56 pence per share) an increase of 15.0 pence per share.

Dividends

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

Cash flow

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

Cash flow for the year is set out below.

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

Underlying operating cash flow

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

Balance Sheet and shareholders' funds

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

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

Non-current assets

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

Working capital

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

Cash

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

Lease liabilities

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

Other net liabilities

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

Use of non-GAAP measures in the Group financial statements

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

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

Adjusted EBITDA

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

Adjusted operating profit

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

Adjusted profit before tax

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

Adjusted Earnings

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

Adjusted earnings per share

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

Underlying operating cash flow

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

Adjusted operating cash flow

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

Claire Thomson
Chief Financial Officer

23 March 2021

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2020

	Note	Year ended 31 December 2020	Year ended 31 December 2019
		£'000	£'000
Revenue	4	82,374	107,163
Cost of goods sold		(51,382)	(67,107)
Gross profit		**30,992**	**40,056**
Operating expenses		(24,781)	(27,585)
Operating expenses – exceptional	5	(542)	(17,338)
Total operating expenses		**(25,323)**	**(44,923)**
Operating profit/(loss)		**5,669**	**(4,867)**
Analysed as:			
Adjusted EBITDA[1]		9,755	15,172
Depreciation	9	(1,567)	(1,246)
Amortisation	8	(1,963)	(1,455)
Share-based payment charge	11	(14)	-
Exceptional items	5	(542)	(17,338)
Total operating profit/(loss)		**5,669**	**(4,867)**
Finance expense		(700)	(5,426)
Profit/(loss) before taxation		**4,969**	**(10,293)**
Income tax expense	6	(889)	(2,032)
Profit/(loss) for the year		**4,080**	**(12,325)**
Basic and diluted earnings/(loss) per share	7	**2.44p**	**(12.56)p**

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

All results derive from continuing operations.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	As at 31 December 2020	As at 31 December 2019
		£'000	£'000
ASSETS			
Non-current assets			
Intangible assets	8	54,017	50,167
Property, plant and equipment	9	9,102	6,081
Deferred tax assets		493	167
Total non-current assets		**63,612**	**56,415**
Current assets			
Inventories		12,109	7,952
Trade and other receivables		20,988	25,544
Cash and cash equivalents		7,066	8,861
Current tax assets		829	-
Total current assets		**40,992**	**42,357**
TOTAL ASSETS		**104,604**	**98,772**
LIABILITIES			
Non-current liabilities			
Lease liability	10	7,645	5,502
Trade and other payables		930	-
Deferred tax liabilities		2,637	1,816
Total non-current liabilities		**11,212**	**7,318**
Current liabilities			
Lease liability	10	1,334	838
Trade and other payables		25,775	27,569
Current tax liabilities		-	149
Total current liabilities		**27,109**	**28,556**
TOTAL LIABILITIES		**38,321**	**35,874**
NET ASSETS		**66,283**	**62,898**
Equity and reserves			
Share capital		1,800	1,800
Share premium		78,451	78,451
Merger reserve		(103,581)	(103,581)
Translation reserve		(1,604)	(896)
Share-based payments reserve		13	-
Retained earnings		91,204	87,124
TOTAL EQUITY		**66,283**	**62,898**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Share capital	Share premium	Merger reserve	Translation reserve	Share-based payments reserve	(Accumulated losses) /retained earnings	**Total equity**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
At 1 January 2019	**58**	**942**	**-**	**(327)**	**-**	**(4,086)**	**(3,413)**
Loss for the year	-	-	-	-	-	(12,325)	**(12,325)**
Other comprehensive expense for the year	-	-	-	(569)	-	-	**(569)**
Total comprehensive expense	**-**	**-**	**-**	**(569)**	**-**	**(12,325)**	**(12,894)**
Issue of shares in year	58	-	105,236	-	-	-	**105,294**
Group reorganisation	(58)	(942)	(104,294)	-	-	-	**(105,294)**
Bonus issue of shares	104,523	-	(104,523)	-	-	-	**-**
Capital reduction	(103,535)	-	-	-	-	103,535	**-**
New shares issued on IPO	754	78,451	-	-	-	-	**79,205**
Total transactions with owners recognised in equity	**1,742**	**77,509**	**(103,581)**	**-**	**-**	**103,535**	**79,205**
At 31 December 2019	**1,800**	**78,451**	**(103,581)**	**(896)**	**-**	**87,124**	**62,898**
Profit for the year	**-**	**-**	**-**	-	-	4,080	**4,080**
Other comprehensive expense for the year	**-**	**-**	**-**	(708)	-	-	**(708)**
Total comprehensive income/(expense)	**-**	**-**	**-**	**(708)**	**-**	**4,080**	**3,372**
Employee share schemes – value of employee services (note 11)	-	-	-	-	13	-	13
Total transactions with owners recognised in equity	**-**	**-**	**-**	**-**	**13**	**-**	**13**
At 31 December 2020	**1,800**	**78,451**	**(103,581)**	**(1,604)**	**13**	**91,204**	**66,283**

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2020

	Note	Year ended 31 December 2020	Year ended 31 December 2019
		£'000	£'000
Operating profit/(loss)		5,669	(4,867)
Adjustments for:			
- Amortisation	8	1,963	1,455
- Depreciation	9	1,567	1,246
- Share-based payments charge	11	13	-
- Loss on disposal of fixed assets		-	18
Cash flows from/(used in) operating activities before changes in working capital		**9,212**	**(2,148)**
- Change in inventories		(4,157)	(502)
- Change in trade receivables		4,556	1,081
- Change in trade payables		(2,146)	545
Cash flows from/(used in) operating activities		**7,465**	**(1,024)**
- Income taxes paid		(1,313)	(2,486)
Net cash flows from/(used in) operating activities		**6,152**	**(3,510)**
Cash flows from investing activities			
- Purchase of property, plant and equipment	9	(806)	(603)
- Purchase of intangible assets	8	(4,871)	(1,483)
- Acquisition of subsidiaries and net cash outflows on change in ownership		-	(1,293)
Net cash flows used in investing activities		**(5,677)**	**(3,379)**
Cash flows from financing activities			
- Repayment of borrowings		-	(62,312)
- Lease payments		(1,141)	(1,190)
- Interest paid		(700)	(7,894)
- Ordinary shares issued		-	79,205
Net cash flows from/(used in) financing activities		**(1,841)**	**7,809**
NET CASH FLOWS		**(1,366)**	**920**
Cash and cash equivalents at beginning of year		8,861	8,150
Effect of exchange rate fluctuations on cash held		(429)	(209)
Cash and cash equivalents at end of year		**7,066**	**8,861**

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. ACCOUNTING POLICIES

(a) Basis of preparation

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

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

(b) Going concern

The Group meets its day-to-day working capital requirements through its own cash balances and committed banking facilities. In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for the two years ending 31 December 2022. The forecasts and projections, which the Directors consider to be prudent, have been further sensitised by applying reductions to revenue growth and margin, to consider a severe but plausible downside. Under both the base and sensitised case the Group is expected to have headroom against covenants and a sufficient level of financial resources available through existing facilities when the future funding requirements of the Group are compared with the level of committed available facilities. Based on this, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group and Company financial statements.

(c) Forward looking statements

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

(d) New standards, amendments and interpretations

New and amended standards adopted by the Group

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

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

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

New standards and interpretations not yet adopted

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

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

(e) Basis of consolidation

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

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

(f) Revenue

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

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

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

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

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

Brand Addition sale of promotional product

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

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

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

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

(g) EBITDA and Adjusted EBITDA

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

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

(h) Exceptional items

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

(i) Taxation

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

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

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

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

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

(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 8.

Customer relationships

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

Development costs

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

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

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

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

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

Computer software

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

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

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

(k) Impairment losses

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

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

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.

(l) 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.

(m) 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.

(n) Leases

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

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

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

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

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 9.

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.

(o) Segmental reporting

The Group reports its business activities in two areas being:

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

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

(p) Employee benefits

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

(i) Short-term benefits

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

(ii) Defined contribution pension plans

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

(iii) Share-based payments

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

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

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

(q) Government grants

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

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

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

(a) Accounting estimates

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

Goodwill impairment

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

Goodwill relates to the various acquisitions made and amounts to £35,802,000 as at 31 December 2020. The estimates used in the impairment calculation are set out in note 8.

Valuation of acquired intangibles

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

Useful economic lives of intangible assets

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

Useful economic lives of property, plant and equipment

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

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

(b) Accounting judgements

Judgements in applying accounting policies and key sources of estimation uncertainty

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

Capitalisation of internal development costs

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

Capitalised development expenditure is analysed further in note 8.

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. 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.

Major customers

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

Analysis of revenue by geographical destination

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

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

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

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

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

Income statement for the year ended 31 December 2020

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

Statement of financial position as at 31 December 2020

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

Income statement for the year ended 31 December 2019

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

Statement of financial position as at 31 December 2019

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

5. OPERATING EXPENSES - EXCEPTIONAL

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

Exceptional items relate to the following:

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

6. INCOME TAX EXPENSE

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

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

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

Factors that may affect future tax charges

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

7. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year. As at 31 December 2019, no instruments with a potential or actual dilutive impact were in issue and therefore diluted EPS was the same as basic EPS. The impact of the potentially dilutive share options issued under The Pebble Group Plc Long-Term Incentive Plan on 21 December 2020 as detailed in note 11 has no impact on the basic earnings per share for the year ended 31 December 2020 and hence has not been presented.

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

Statutory EPS

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

Adjusted EPS

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

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

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

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

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

8. INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

Goodwill is attributable to the following segments:

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

9. PROPERTY, PLANT AND EQUIPMENT

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

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10. LEASES

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

Amounts recognised in the Consolidated income statement

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

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

The above leases relate to office space, computer equipment and motor vehicles. The net book value by category is set out in note 9.

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

11. SHARE-BASED PAYMENTS

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

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

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

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

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

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

	Proportion of award
Part 1 options - AEPS	70%
Part 2 options - TSR	30%

Details of the maximum total number of Ordinary Shares which may be issued in future periods in respect of awards outstanding at 31 December 2020 are shown below:

	Number of shares
At 1 January 2020	-
Granted in the year	1,252,477
At 31 December 2020	**1,252,477**

The fair value at grant date is independently determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share based on the AIM Price Index over the past 3 years, and the risk-free interest rate for the term of the option as shown below:

	TSR condition 31 December 2020	**AEPS condition 31 December 2020**
Share price at grant date	105.0p	110.5p
Exercise price	£nil	£nil
Expected volatility	17.2%	-
Expected life	3 years	3 years
Expected dividend yield	0%	-
Risk-free interest rate	0.53%	-
Fair value per option	22.28p	110.5p

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