The Pebble Group

22 March 2022

The information communicated within this announcement is deemed to constitute inside information as stipulated under the retained EU law version of the Market Abuse Regulations (EU) No. 596/2014 which is part of UK wide law by virtue of the European Union (withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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

AUDITED FULL YEAR RESULTS 2021
Strong performance in 2021 with further significant growth opportunities ahead

The Pebble Group, a leading provider of digital commerce, products and related services to the global promotional products industry, announces its audited results for the year to 31 December 2021 ("FY 21" or the "Period"), which show a full recovery exceeding pre-pandemic performance levels and the delivery of further strong growth in Annual Recurring Revenue ("ARR") by Facilisgroup.

The differentiated and strong positions occupied by our businesses within the industry, the quality of our people, and the further significant growth opportunities in our market, give the Board confidence in the prospects for the Group in the year ahead and beyond.

Financials

Adjusted results	**FY 21 £'m**	FY 20 £'m	FY 19 £'m
Revenue	**115.1**	82.4	107.2
Gross profit	**42.0**	31.0	40.1
Gross profit margin	**36.5%**	37.6%	37.4%
Adjusted EBITDA[1]	**15.4**	9.8	15.2
Adjusted EBITDA margin	**13.4%**	11.9%	14.2%
Adjusted operating profit[2]	**11.5**	6.8	13.0
Adjusted profit before tax[3]	**10.9**	6.1	7.6
Adjusted operating cash flow[4]	**5.9**	1.1	13.0
Net cash[5]	**12.1**	7.1	8.9
Adjusted basic earnings per share[6]	**5.14p**	2.96p	2.81p

Statutory results	**FY 21**	FY 20	FY 19
Operating profit/(loss)	**9.9**	5.7	(4.9)
Profit/(loss) before tax	**9.3**	5.0	(10.3)
Basic profit/(loss) per share	**4.39p**	2.44p	(12.56)p
Diluted profit/(loss) per share	**4.38p**	2.44p	(12.56)p

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

[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] *Adjusted operating cash flow is calculated as Adjusted EBITDA less movements in working capital, capital expenditure and lease payments*
**FY 19 includes £3.9m funded IPO costs and FY 21 includes £3.2m incremental CAPEX investment compared to FY 19*

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

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

Group financial highlights and outlook

- Strong recovery ahead of pre-pandemic performance levels with Group Revenue of £115.1m (FY 20: £82.4m, FY 19: £107.2m) 40% ahead of the prior year and Group EBITDA of £15.4m (FY 20: £9.8m, FY 19: £15.2m)
- At Facilisgroup, ARR increased by 40% to USD16.7m (FY 20: USD11.9m) and delivered excellent EBITDA returns of 60% (FY 20: 61%), demonstrating the business's ability to both scale revenue and maintain strong margins
- At Brand Addition, FY 21 Revenue was 41% ahead of prior year and 5% ahead of pre-pandemic revenue at £102.4m (FY20: £72.6m)
- Balance sheet remains strong and cash was ahead of expectation at 31 December 2021, being £12.1m (FY 20: £7.1m)
- The new financial year has started well and in line with our expectations:

  - At Facilisgroup, year to date at 18 March 2022, Gross Merchandise Value ("GMV") was up 57% year on year with Partners implemented or contracted awaiting implementation totalling 211

  - At Brand Addition, year to date at 18 March 2022, the order intake has been positive and sales invoiced or received to be invoiced was up 11% year on year. The supply chain continues to be well controlled

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About The Pebble Group plc - www.thepebblegroup.com

The Pebble Group is a provider of digital commerce, products and related services to the global promotional products industry, comprising two differentiated businesses, 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 digital commerce 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. The value to our clients is reflected in the very high retention rates of the business.

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.

The Pebble Group aims to act responsibility through effective management of its Environmental, Social and Governance ("ESG"). To find out more, read our ESG report - The Pebble Group ESG report 2021.

CHAIR'S REPORT

I am very pleased to report on the Group's strong performance in 2021, which saw not only a full recovery from the impact of the pandemic, but an acceleration of strategic progress and new customer wins at both Facilisgroup, and Brand Addition.

The performance highlights the strength of the Group's leading position in the promotional products industry, the capability of its management, the quality of the technology it continues to build and bring to market, and its sustainability credentials.

The work of our team of talented people over the last year has significantly increased the Group's capability and long-term future potential and the Group Board believes that the prospects of The Pebble Group in the year ahead and beyond are very good.

Strategy and Long-term Vision

The Pebble Group's central tenet is that the global promotional products industry (estimated value circa USD50bn annually) is ripe for positive disruption, driven by three principal factors:

- the requirement from users of promotional products and, in particular, from leading global brands for confidence in the sustainability and provenance of those products;
- the opportunity to deploy leading edge technology to what is a mature market to make it operate more sustainably and efficiently for large global corporations; and
- the global market is very fragmented, the majority of which is served by owner managed SMEs with a high concentration in North America. As sustainability standards rise and technology proliferates, SMEs will be disadvantaged without a platform like Facilisgroup which addresses both these issues.

The Pebble Group is disrupting this market through its two complementary but non-competing business units, Facilisgroup and Brand Addition.

Facilisgroup

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

The growth and profitability of Facilisgroup illustrates the efficacy of its technology with like-for-like growth in Annual Recurring Revenue (ARR) in the Period of 40% and EBITDA margins of 60%. Facilisgroup grew its total revenue in FY 21 to £12.7m and the strategy of the executive team is to accelerate this rate of growth through significant ongoing investment in our technology, sales and marketing, and people.

Brand Addition

Brand Addition, which was impacted by the pandemic in 2020, has fully recovered with its FY 21 revenue increasing by 41% on the prior year and 5% ahead of pre-pandemic revenue in FY 19. The business remains focused on its core strategy to win, grow, and retain international contracts, often valued in millions of pounds per year, with many of the world's leading brands. During the year under review, Brand Addition increased its revenues through expanding its business with existing key clients, implementing new contracts won in FY 20, as well as winning major new contracts in the year, which will benefit FY 22.

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

Environmental, Social and Governance (ESG)

In October 2021, we published our first standalone ESG report in which we set out our approach to ESG and showcased how we are integrating ESG into the Group. Our strong ESG credentials already set Brand Addition apart in its markets and form an important element of its client relationships. The 2021 report showed the four ESG cornerstones, which underpin our bespoke ESG framework, linked to the topics that most impact our business and are of the greatest importance to our stakeholders. Updates since the launch of our first report are set out in the Annual Report 2021.

We are committed to a culture of strong corporate governance and, where appropriate for our business, to go beyond the required compliance level. We put our Directors' Remuneration Report to a shareholder vote at our AGMs and have taken initial steps to evolve our risk framework to align with the Task Force on Climate-related Financial Disclosure (TCFD). During the year, we reviewed succession planning and talent pipeline development, and further enhanced the reporting and flow of information from Facilisgroup and Brand Addition to the Group Board. We have also worked internally, and with external experts, to validate our risk register approach and we are in the process of implementing the recommendations made.

Team

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

To provide the opportunity for our teams to share in the value of the Group they have helped to create, we launched our first Group Sharesave Plan (SAYE) in September 2021, which was taken up by 46% of eligible employees.

Summary and outlook

Facilisgroup and Brand Addition performed well in the year under review, both financially and in building their differentiation in the market. The strong financial performances strengthened the Group's balance sheet, which, together with our ongoing cash generative operations, gives us the ability to continue investing in, what the Group Board believes to be, high quality strategic opportunities, with the aim of further establishing its leadership position in the very large but fragmented global promotional products market.

The new financial year has started well and in line with our expectations and the Group Board looks forward to the year ahead and beyond with confidence.

Richard Law
Chair
22 March 2022

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

We are pleased to report the Group's full year results for the year ended 31 December 2021 which demonstrate a strong performance and an immediate and full recovery from the pandemic-driven demand challenges experienced in 2020.

Group revenue increased by 40% on the prior year to £115.1m (FY 20: £82.4m, FY 19: £107.2m) and Adjusted EBITDA by 57% to £15.4m (FY 20: £9.8m, FY 19: £15.2m).

Review of The Pebble Group businesses

Facilisgroup

	FY 21	FY 20	FY 19
ARR	**£12.2m**	£9.3m	£8.2m
Other revenue	**£0.5m**	£0.5m	£1.1m
Total revenue	**£12.7m**	£9.8m	£9.3m
Gross profit	**£12.7m**	£9.8m	£9.3m
Gross profit margin	**100%**	100%	100%
Adjusted EBITDA	**£7.6m**	£6.0m	£5.1m
Operating profit/(loss)	**£5.1m**	£4.6m	£(9.5)m

Facilisgroup has a highly attractive business model. In FY 21, the business' uninterrupted revenue growth continued. In USD (Facilisgroup home currency), ARR was USD16.7m (£12.2m), representing 40% growth over the prior year, as the business continued to attract new Partners (customers) and create value for its Preferred Suppliers.

This ARR growth converts very strongly through to profit with Adjusted EBITDA margins in FY 21 of 60% (FY 20: 61%).

Our FY 21 milestones were met on our internal aspiration to be a USD50m ARR business by the end of 2024. Partners implemented at 31 December 2021 were 200 (31 December 2020: 175) with a further six contracted and awaiting implementation. Gross Merchandise Value (GMV) and spend with our Preferred Suppliers was USD1.15bn (FY 20: USD1.02bn) and USD0.35bn (FY 20: USD0.26bn) respectively. Growth across these key indicators heavily influence the fee structures within the business and result in a very robust and predictable recurring revenue stream.

We believe the market opportunity for Facilisgroup is very strong. In the highly fragmented market of the North American promotional products industry, we have evolved Facilisgroup to be a digital commerce platform, supporting the growth and efficiency of distributors and suppliers. Within this platform there are three components designed to meet the full suite of technology requirements of entrepreneurial distributors and suppliers across the industry, as follows:

Syncore is our order workflow product on which we have grown Facilisgroup to date. Focused on the distributors of more than USD2m sales, more than 850,000 sales orders were processed through this technology in FY21, smoothing order friction and supporting the growth of both our Partners and suppliers. At 98%, the retention rate of Partners in the Period was very high.

Then, our order workflow product for the many thousands of smaller distributors with less than USD2m sales is currently in development. This will significantly increase our addressable market and our expectation is to launch this product in mid 2023.

Commercio is our ecommerce product that creates online stores for our Partners and can either stand alone or will integrate into our order workflow products. The market opportunity for a sector specific ecommerce solution is significant. We estimate that our existing Partners host circa 2,000 online stores with the wider North American market many times more. Our Partner appetite for this service through Facilisgroup is high. We expect to start contracting with them from 1 June 2022 and exit the year with a growing momentum of Partner uptake, as further enhancements are delivered. The planned revenue model will be a monthly fee based on the number of stores used, in effect increasing our percentage fee per USD of GMV.

We are focused on a successful scaling of Facilisgroup and are investing in our sales and marketing activities to support this.

Our goals in 2022 are to:

- grow GMV, spend with Preferred Suppliers and total customer numbers with Syncore and Commercio in line with our internal aspirations;
- successfully launch Commercio with both our existing Partner base and into the wider market to materially grow 2023 ARR; and
- prepare to launch our order workflow product for distributors with less than USD2m sales in mid 2023.

2022 has started well. Partners implemented, or contracted awaiting implementation, total 211 at 18 March 2022, with GMV and spend with Preferred Suppliers respectively being 57% and 66% ahead of same period last year. In addition, the indication of appetite from Partners for Commercio has been very positive.

Brand Addition

	FY 21	FY 20	FY 19
Revenue	**£102.4m**	£72.6m	£97.9m
Gross profit	**£29.3m**	£21.2m	£30.8m
Gross profit margin	**28.6%**	29.2%	31.5%
Adjusted EBITDA	**£9.9m**	£5.2m	£10.7m
Operating profit	**£7.1m**	£2.6m	£9.1m

Brand Addition FY 21 revenue of £102.4m (FY 20: £72.6m) was 41% ahead of the prior year, representing an immediate recovery compared to pre-COVID-19 performance of FY 19, where revenue was £97.9m. This revenue increase led to EBITDA of £9.9m (FY 20: £5.2m) being 90% ahead of prior year and moving significantly back towards FY 19 of £10.7m.

Working in close collaboration with its clients, Brand Addition designs products and product ranges, hosts client-branded ecommerce platforms, and provides international sourcing and distribution solutions.

We categorise our revenues into two divisions: Consumer Promotions that supports our clients in driving their own sales volumes; and Corporate Programmes that supports our clients' employee engagement and brand building activities. Both divisions delivered strong growth during the year.

In our Consumer Promotions division (45% FY 21 divisional revenues), growth was achieved with our existing clients, who, throughout the pandemic, have continued to use promotional products as a strategic marketing tool to drive sales across their retail outlets. Brand Addition has increased its market share with these clients through consistently meeting expectations regarding quality, and creativity, alongside sourcing through a visible and responsible supply chain that meets client ESG expectations.

In our Corporate Programmes division (55% FY 21 divisional revenues), growth was achieved through a full year contribution of new contracts won in 2020, and the recovery of sales through existing clients that were impacted in 2020.

Our client retention has been high and new contracts won in 2021 will positively impact 2022. Additional sales opportunities also remain from those clients that have not yet returned to pre-COVID-19 levels.

The impact of the global supply chain disruption, including raw material price increases, freight capacity issues, freight rate increases, and Brexit, affected the promotional products industry like most others. The quality and experience of the established teams across Brand Addition together with our strong relationships with our suppliers and clients ensured that the impact of these complexities on our clients was controlled and minimised. Equally, our gross margins were only slightly reduced to 28.6% (FY 20: 29.2%). As we look forward, our ability to manage our supply chain over the last two years, together with current activities, leave us well-placed to continue to successfully navigate these challenges, some of which, remain in 2022.

Our goals in 2022 are to:

- build upon the revenue growth of 2021 through the continued retention of major clients and the successful implementation of contracts won in 2021;
- attract new contracts with major international brands through our credentials in ESG, technology and creativity; and
- move our gross margins back towards the 30% target (FY 21: 28.6%)

2022 has started well. Year to date at 18 March 2022, the order intake has been positive and sales invoiced or received to be invoiced was up 11% year on year. The supply chain continues to be well-controlled by our teams.

People and Environmental, Social and Governance

Against an uncertain background, our people have supported our businesses in achieving its results, demonstrating great dedication and flexibility. The diversity of our businesses, our people, and the geographies in which we operate, brings great strength to the Group and I thank everyone at Facilisgroup, Brand Addition, and The Pebble Group for their support, thoughtfulness, and ability to achieve positive outcomes over this very challenging period.

Our ESG strategy has continued to advance in 2021. We have detailed our approach, targets, and activities within our first stand-alone ESG report published in October 2021, and then summarised our progress in our Annual Report 2021.

Our approach is guided by much of the published best practice materials including the QCA Code and UN Sustainable Development Goals as well as feedback from our teams, clients, and investors. Then, we have identified our priorities that balance what is most practical, and makes the largest positive contribution, before our dedicated ESG resource ensure we follow through on our initiatives and embed them into our day-to-day operations. We will continue to evolve and commit to this approach, knowing its positive contribution to our long-term success.

Outlook

2022 has started well and in line with our expectations.

At Facilisgroup, we expect to meet our 2022 internal aspirations for GMV and spend with Preferred Suppliers, and continue to target the total customer numbers using our expanding digital commerce offering. To 18 March 2022, GMV is 57% ahead of the prior year comparative. Partners implemented or contracted awaiting implementation total 211, plus, the indication of appetite from Partners for Commercio has been positive.

At Brand Addition, year to date at 18 March 2022, the order intake has been positive and sales invoiced or received to be invoiced was up 11% year on year. The supply chain continues to be well-controlled by our teams.

We have a very motivated management team and remain focused upon the delivery of our plans. We look forward to further updating stakeholders on the progress of the Group throughout the year.

Chris Lee
Chief Executive Officer
22 March 2022

CHIEF FINANCIAL OFFICER'S REVIEW

	FY 21 £'m	FY 20 £'m	***Variance £'m***
Revenue	**115.1**	82.4	***32.7***
Adjusted EBITDA	**15.4**	9.8	***5.6***
Adjusted operating cash flow	**5.9**	1.1	***4.8***
Net cash	**12.1**	7.1	***5.0***
Adjusted Earnings Per Share	**5.14p**	2.96p	***2.18p***

Overview

The results reflect a successful year for the Group where the objectives set at the outset for both our businesses have been met. Revenue of £115.1m (FY 20: £82.4m) was 40% ahead of FY 20 and Adjusted EBITDA of £15.4m (FY 20: £9.8m) was 57% ahead.

Taking each of the businesses in turn:

In March 2021, Facilisgroup set out a medium-term aspiration targeting USD50m of ARR by the end of 2024. This plan included short-term milestones signposting the route to delivering this aspiration, which it successfully met in FY 21. In the year it continued to grow both revenue and EBITDA, increased Partner numbers to 200 (FY 20: 175), and, through providing additional services to preferred suppliers, increased the level of supplier contributions. In the year, total revenue increased 30% in GBP, 40% in Facilisgroup's home currency of USD.

Brand Addition's revenue was 41% ahead of the prior year, and importantly 5% ahead of FY 19, representing a full and complete recovery ahead of pre-pandemic levels. Sales in our Consumer Promotions division grew strongly in the year up 62% over FY 20, supported by improving momentum, and a positive contribution from new business in the Corporate Programmes division, where sales increased 28% over FY 20. We expect this momentum to continue in FY 22 with a further positive contribution from additional new business wins converted during FY 21.

The Group's balance sheet remains strong and its liquidity position is robust with cash balances of £8.5m at 21 March 2022 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 all 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.

	2021 £'m	2020 £'m	***Variance £'m***
Revenue	**115.1**	82.4	***32.7***
Gross profit	**42.0**	31.0	***11.0***
Gross profit margin	***36.5%***	*37.6%*	***(1.1%)***

Adjusted EBITDA	**15.4**	9.8	***5.6***
Adjusted EBITDA margin	***13.4%***	*11.9%*	***1.5%***
Depreciation and amortisation	**(4.8)**	(3.5)	***(1.3)***
Share-based payment charge	**(0.7)**	-	**(0.7)**
Exceptional items	**-**	(0.6)	***0.6***
Operating profit	**9.9**	5.7	***4.2***
Net finance costs	**(0.6)**	(0.7)	***0.1***
Profit before tax	**9.3**	5.0	***4.3***
Tax	**(2.0)**	(0.9)	***(1.1)***
Profit for the year	**7.3**	4.1	***3.2***
Weighted average number of shares	**167,450,893**	167,450,893	**-**
Adjusted Basic EPS	**5.14p**	2.96p	***2.18p***
Basic EPS	**4.39p**	2.44p	***1.95p***

Revenue

Revenue for FY 21 was £115.1m (FY 20: £82.4m), growth of 40%. Facilisgroup total revenue increased by £2.9m or 30% (FY 20: £0.5m or 5%). ARR from partner subscriptions for our technology and supplier contributions made up £2.9m of this increase. The growth arose from a combination of incremental partner numbers, and additional contributions from suppliers, both from increased volumes as purchasing patterns normalised, and increased percentage contributions as suppliers paid more for the additional efficiencies delivered to them by Facilisgroup. Revenue in Brand Addition increased by £29.8m. A combination of strong growth with key customers in the Consumer Promotions division of £17.7m, incremental new business delivering £8.0m, and the balance being the recovery of the underlying Corporate Programs business that was affected by demand challenges in 2020.

Gross profit

Gross profit as a percentage of turnover reduced during the year by 1.1 p.p.t from 37.6% to 36.5%. This largely reflects the impact of the increased weighting of Brand Addition sales as a proportion of the total Group, as revenue recovered from the sales impact of FY 20. In Brand Addition, there was also a 0.7 p.p.t reduction in margin as the business navigated a period of increased costs associated with Brexit, freight rate pricing, and freight capacity challenges combined with the impact, in the short term, of new business, which has lower than average initial margins.

Adjusted EBITDA

Adjusted EBITDA was £15.4m (FY 20: £9.8m). The increase of £5.6m from FY 20 is made up as follows:

- Facilisgroup £1.6m as incremental revenues were delivered at excellent EBITDA returns of 60% (FY 20: 61%) demonstrating the business' ability to retain strong margins and scale revenue.
- Brand Addition delivered a £4.7m increase being the incremental profit from sales growth less increased costs as contributions from the UK Job Retention Scheme, and support from our teams through temporary salary reductions, were not repeated in 2021.

- Central costs increased by £0.7m in the year. £0.2m from temporary salary savings in FY 20, the balance being incremental costs through the growth of the team and the Group's investment in ESG.

The Adjusted EBITDA margin increased by 1.5 p.p.t to 13.4% as revenues in Brand Addition recovered from the demand challenges of 2020.

Depreciation and amortisation

The total charge in the year was £4.8m (FY 20: £3.5m), of which £2.8m (FY 20: £2.0m) 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, and specifically in new product development for Facilisgroup. It is the Group's intention to continue this investment and it is expected that this charge will increase further in FY 22.

Exceptional items

Exceptional costs in the year were £nil (FY 20: £0.6m). Costs in FY 20 comprised £0.4m reorganisation and restructuring in Brand Addition, as changes were made to headcount to align people numbers with anticipated sales volumes following the impact of the pandemic, and £0.2m transaction costs relating to the acquisition of software assets in Facilisgroup.

Share based payments

The total charge for the Period under IFRS 2 "Share-based payments" was £0.7m (FY 20: nil). This charge related to the 2020 and 2021 awards made under the 2019 Long Term Incentive Plan and Group Sharesave Plan (SAYE).

Operating profit

Operating profit for the year was £9.9m (FY 20: £5.7m).

Finance costs

Finance costs of £0.6m in the year (FY 20: £0.7m) include interest on the utilisation of the Group's committed RCF facility during the year of £0.2m (FY 20: £0.3m) and interest costs on leases capitalised in accordance with IFRS 16 of £0.4m (FY 20: £0.4m).

Taxation

The total taxation charge was £2.0m (FY 20: £0.9m) giving rise to an effective rate of tax of 21.5% (FY 20: 18.0%). The effective rate of tax was higher than the UK standard rate of taxation as the proportion of profit earned by the Group in overseas jurisdictions where corporation tax rates are higher than those in the UK increased during the year.

Basic Earnings per share

The earnings per share analysis in note 6 covers both adjusted earnings per share (profit after tax before amortisation of acquired intangibles, share-based payments charge and exceptional items divided by the weighted average number of shares in issue during the year), and statutory earnings per share (profit attributable to equity holders divided by the weighted average number of shares in issue during the year). Adjusted earnings was £8.6m (FY 20: £5.0m) an increase in adjusted basic earnings per share of 2.18 pence. Basic earnings per share was 4.39 pence per share (FY 20: 2.44 pence per share) an increase of 1.95 pence.

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. This policy remains in place. However, as we believe the opportunities ahead of us are significant, particularly investment in Facilisgroup, we have taken the decision to retain cash in the business and not to pay a dividend in respect of 2021. The timing of implementing our stated dividend policy will be considered again during 2022, and an update provided in the Group's half year results, scheduled for announcement in September 2022.

Cash flow

The Group had a cash balance of £12.1m at 31 December 2021 (FY 20: £7.1m).

Cash flow for the year is set out below.

	2021 £'m	2020 £'m	***Variance £'m***
Adjusted EBITDA	**15.4**	9.8	***5.6***
Movement in working capital	**(2.8)**	(1.8)	***(1.0)***
Capital expenditure	**(5.3)**	(5.7)	***0.4***
Leases	**(1.4)**	(1.2)	***(0.2)***
Adjusted operating cash flow	**5.9**	1.1	***4.8***
Tax paid	**(0.5)**	(1.3)	***0.8***
Net finance cash flows	**(0.6)**	(0.7)	***0.1***
Exceptional items	**-**	(0.5)	***0.5***
Exchange loss	**0.2**	(0.4)	***0.6***
Net cash flow	**5.0**	(1.8)	***6.8***

Adjusted operating cash flow

Adjusted operating cash flow before tax payments and net finance costs increased by £4.8m in the year to £5.9m. This is an important metric for the Group that is monitored consistently to ensure it remains strong whilst maintaining the necessary level of investment in capital expenditure required to support the Group's medium-term growth plans. The improvement in the year is due to increased Group profitability with some investment in working capital to support sales growth in Brand Addition.

Balance Sheet and shareholders' funds

Net assets increased in the year by £8.3m, the balance sheet is summarised below:

	2021 £'m	2020 £'m	***Variance £'m***
Non-current assets	**63.9**	63.6	***0.3***
Working capital	**9.5**	6.4	***3.1***
Cash	**12.1**	7.1	***5.0***

Lease liabilities	**(7.8)**	(9.0)	***1.2***
Other net liabilities	**(3.1)**	(1.8)	***(1.3)***
Net assets	**74.6**	66.3	***8.3***

Non-current assets

Non-current assets are the most significant balance sheet category of which £35.8m (FY 20: £35.8m) is goodwill arising on previous acquisitions. Non-current assets also include £8.6m (FY 20: £9.0m) of customer relationship intangible assets, £11.3m (FY 20: £9.2m) of software development costs, including £3.3m investment in the year into Facilisgroup technology products and £7.9m (FY 20: £9.1m) of Property, Plant and Equipment. Software development costs arise from ongoing investment in Group proprietary software and in particular investment into Facilisgroup products to ensure that existing technology services remain market leading and differentiated from our competitors alongside the development of new products that will deliver our medium-term growth plans. The costs are capitalised in accordance with IAS 38 and amortised over the period which the Group expects to generate benefit from the development. As the Group continues to accelerate investment into its digital commerce platform for Facilisgroup, we expect this level of investment to continue in the short term.

Working capital

Working capital of £9.5m is £3.1m higher than FY 20. This increase is due to sales growth, and incremental volume in Brand Addition where trade receivables have increased over FY 20. The quality of these receivables remains excellent and our working capital metrics remain consistent with FY 20 with amounts outstanding being collected to terms in Q1 22.

Cash

Cash balances at 31 December 2021 were £12.1m an increase of £5.0m on 2020.

Lease liabilities

Lease liabilities of £7.8m (2019: £9.0m) relate to Group properties capitalised in accordance with IFRS 16. The reduction in the year is lease payments of £1.4m offset by £0.5m additions arising on lease extensions for existing offices and the relocation of Brand Addition Shanghai.

Other net liabilities

Other net liabilities of £3.1m (FY 20: £1.8m) are net tax liabilities of which £3.0m (FY 20: £2.6m) is deferred tax in respect of the intangible assets of Facilisgroup. £1.6m (FY 20: £1.7m) relates to acquired customer relationships, the balance and increase in the year arising as a result of accelerated investments into technology products. These liabilities will reverse over the period that the assets are amortised. In FY 20 the balance also included £0.8m of recoverable tax payments on account.

Alternative Performance Measures "APM's"

Throughout the Annual Report and Accounts the Group has used a number of APM's. These are used to provide additional clarity to the Group's financial performance and are used internally by management to monitor business performance, in its budgeting and forecasting and also for determination of Directors' and senior management renumeration. These APM's are not defined under IFRS and, therefore, may not be directly comparable with adjusted measures presented by other companies. The non-GAAP measures are not intended to be a substitute for or superior to any

IFRS measures of performance. However, they are considered by management to be important measures used in the business for assessing performance.

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

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

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

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

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

Adjusted earnings per share which means Adjusted Earnings divided by a weighted average number of shares in issue.

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

Claire Thomson
Chief Financial Officer
22 March 2022

Consolidated income statement

For the year ended 31 December 2021

	Note	Year ended 31 December 2021	Year ended 31 December 2020
		£'000	£'000
Revenue	4	115,101	82,374
Cost of goods sold		(73,128)	(51,382)
Gross profit		**41,973**	**30,992**
Operating expenses		(32,107)	(24,781)
Operating expenses – exceptional		-	(542)
Total operating expenses		**(32,107)**	**(25,323)**
Operating profit		**9,866**	**5,669**
Analysed as:			
Adjusted EBITDA[1]		15,378	9,755
Depreciation	8	(1,986)	(1,567)
Amortisation	7	(2,811)	(1,963)
Share-based payment charge	10	(715)	(14)
Exceptional items		-	(542)
Total operating profit		**9,866**	**5,669**
Finance expense		(549)	(700)
Profit before taxation		**9,317**	**4,969**
Income tax expense	5	(1,970)	(889)
Profit for the year		**7,347**	**4,080**
Basic earnings per share	6	**4.39p**	**2.44p**
Diluted earnings per share	6	**4.38p**	**2.44p**

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

All results derive from continuing operations.

Consolidated statement of other comprehensive income

For the year ended 31 December 2021

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Items that may be subsequently reclassified to profit and loss		
Foreign operations – foreign currency translation differences	277	(708)
Other comprehensive income/(expense) for the year	**277**	**(708)**
Profit for the year	7,347	4,080
Total comprehensive income for the year	**7,624**	**3,372**

Consolidated statement of financial position

As at 31 December 2021

	Note	As at 31 December 2021	As at 31 December 2020
		£'000	£'000
ASSETS			
Non-current assets			
Intangible assets	7	55,674	54,017
Property, plant and equipment	8	7,927	9,102
Deferred tax asset		300	493
Total non-current assets		**63,901**	**63,612**
Current assets			
Inventories		10,093	12,109
Trade and other receivables		29,422	20,988
Cash and cash equivalents		12,051	7,066
Current tax asset		-	829
Total current assets		**51,566**	**40,992**
TOTAL ASSETS		**115,467**	**104,604**
LIABILITIES			
Non-current liabilities			
Lease liability	9	6,388	7,645
Trade and other payables		-	930
Deferred tax liability		3,035	2,637
Total non-current liabilities		**9,423**	**11,212**
Current liabilities			
Lease liability	9	1,384	1,334
Trade and other payables		30,065	25,775
Current tax liability		20	-
Total current liabilities		**31,469**	**27,109**
TOTAL LIABILITIES		**40,892**	**38,321**
NET ASSETS		**74,575**	**66,283**
Equity and reserves			
Share capital		1,675	1,800
Share premium		78,451	78,451
Capital reserve		125	-
Merger reserve		(103,581)	(103,581)
Translation reserve		(1,327)	(1,604)
Share-based payments reserve		681	13
Retained earnings		98,551	91,204
TOTAL EQUITY		**74,575**	**66,283**

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Share capital	Share premium	Capital reserve	Merger reserve	Translation reserve	Share-based payments reserve	Retained earnings	**Total equity**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
At 1 January 2020	**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 10)	-	-	-	-	-	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**
Profit for the year	-	-	-	-	-	-	7,347	**7,347**
Other comprehensive income for the year	-	-	-	-	277	-	-	**277**
Total comprehensive income	**-**	**-**	**-**	**-**	**277**	**-**	**7,347**	**7,624**
Purchase of deferred shares	(125)	-	125	-	-	-	-	**-**
Employee share schemes – value of employee services (note 10)	-	-	-	-	-	601	-	601
Deferred tax on employee share schemes	-	-	-	-	-	67	-	67
Total transactions with owners recognised in equity	**(125)**	**-**	**125**	**-**	**-**	**668**	**-**	**668**
At 31 December 2021	**1,675**	**78,451**	**125**	**(103,581)**	**(1,327)**	**681**	**98,551**	**74,575**

Consolidated cash flow statement

For the year ended 31 December 2021

	Note	Year ended 31 December 2021	Year ended 31 December 2020
		£'000	£'000
Operating profit		9,866	5,669
Adjustments for:			
- Depreciation	13	1,986	1,567
- Amortisation	12	2,811	1,963
- Share-based payments charge	24	715	13
- Profit on disposal of fixed assets		(13)	-
Cash flows from operating activities before changes in working capital		**15,365**	**9,212**
- Change in inventories	15	2,016	(4,157)
- Change in trade receivables	16	(8,433)	4,556
- Change in trade payables	19	3,556	(2,146)
Cash flows from operating activities		**12,504**	**7,465**
- Income taxes paid		(521)	(1,313)
Net cash flows from operating activities		**11,983**	**6,152**
Cash flows from investing activities			
- Purchase of property, plant and equipment	13	(680)	(806)
- Purchase of intangible assets	12	(4,602)	(4,871)
Net cash flows used in investing activities		**(5,282)**	**(5,677)**
Cash flows from financing activities			
- Lease payments		(1,360)	(1,141)
- Interest paid		(549)	(700)
Net cash flows used in financing activities		**(1,909)**	**(1,841)**
NET CASH FLOWS		**4,792**	**(1,366)**
Cash and cash equivalents at beginning of year	17	7,066	8,861
Effect of exchange rate fluctuations on cash held		193	(429)
Cash and cash equivalents at end of year	17	**12,051**	**7,066**

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 UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The Company financial statements have been prepared under FRS 102. Both financial statements have been prepared on the historical cost basis with the exception of certain items which are measured at fair value as disclosed in the principal accounting policies set out below. These policies have been consistently applied to all years presented unless otherwise stated.

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

(b) Going concern

The Group meets its day-to-day working capital requirements through its own cash balances and committed banking facilities. 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 2023.

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

(c) Forward-looking statements

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

(d) New standards, amendments and interpretations

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform – Phase 2

The amendment 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 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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

(e) Basis of consolidation

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

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

(f) Revenue

Revenue arises from the provision of services through 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 goods and 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 operating profit before depreciation and amortisation. Exceptional items and share-based payment charge are excluded from EBITDA to calculate Adjusted EBITDA.

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

(h) 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 7.

Customer relationships

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

Development costs

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

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

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

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

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

Computer software

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

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

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

(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:

- Fixtures and fittings – 3 - 15 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, and adjusted where necessary for the specific terms of the lease.

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

The Group presents right-of-use assets within property, plant and equipment in note 8.

Short-term leases and low value assets

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

(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 Executive Directors, which has been identified as the Chief Operating Decision Maker.

(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 statement of financial position. 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 if applicable.

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

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

(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. In Germany, a benefit of £0.5m has been received and credited to the income statement in 2021. This relates to Bridging Assistance for companies that have suffered a decline in revenue as a result of the pandemic. There are no unfulfilled conditions or other contingencies attached to this grant.

In 2020, as part of the Coronavirus Job Retention Scheme, a benefit of £1.0 million was credited to the income statement. A further benefit of $0.9 million had been received in the US 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 on the following page. Actual results may be substantially different.

Goodwill impairment

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

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

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. There is no significant risk of material adjustment to the carrying amount of the intangible assets within the next twelve months.

Useful economic lives of intangible assets

The Directors have estimated the useful economic lives of the acquired customer intangible assets to be 20 years based upon attrition rates and the Directors' judgement. These lives are reviewed and updated annually. There is no significant risk of material adjustment to the carrying amount of the intangible assets within the next twelve months.

Useful economic lives of property, plant and equipment

Property, plant and equipment is depreciated over the useful lives of the assets. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The carrying values are tested for impairment when there is an indication that the value of the assets might be impaired. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would be based upon management judgement. Future events could cause the assumptions to change, therefore, this could have an adverse effect on the future results of the Group. There is no significant risk of material adjustment to the carrying amount of the property, plant and equipment within the next twelve months.

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

(b) Accounting judgements

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

Capitalisation of internal development costs

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

Capitalised development expenditure is analysed further in note 7.

4. SEGMENTAL ANALYSIS

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

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

Major customers

In 2021 there were two major customers that individually accounted for at least 10% of total revenues (2020: two customers). The revenues relating to these customers in 2021 were £33,215,000 (2020: £21,079,000) and both related to the Brand Addition segment.

Analysis of revenue by geographical destination

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
United Kingdom	26,961	22,274
Continental Europe	38,914	24,741
US	31,675	25,332
Rest of World	17,551	10,027
Total revenue	**115,101**	**82,374**

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

Included within Rest of World is £11,638,000 of revenue from China.

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 2021	Year ended 31 December 2020
	£'000	£'000
At a point in time	102,916	73,135
Over time	12,185	9,239
Total revenue	**115,101**	**82,374**

All non-current assets of the Group reside in the UK, with the exception of non-current assets with a net book value of £27,111,000 (2020: £26,396,000) which were located in North America and £711,000 (2020: £760,000) located in other foreign countries.

Income statement for the year ended 31 December 2021

	Brand Addition	Facilisgroup	Central operations	Year ended 31 December 2021
	£'000	£'000	£'000	£'000
Revenue	102,383	12,718	-	115,101
Cost of goods sold	(73,128)	-	-	(73,128)
Gross profit	**29,255**	**12,718**	**-**	**41,973**
Operating expenses	(22,133)	(7,577)	(2,397)	(32,107)
Total operating expenses	**(22,133)**	**(7,577)**	**(2,397)**	**(32,107)**
Operating profit/(loss)	**7,122**	**5,141**	**(2,397)**	**9,866**
Analysed as:				
Adjusted EBITDA	9,932	7,581	(2,135)	15,378
Depreciation	(1,410)	(533)	(43)	(1,986)
Amortisation	(1,136)	(1,675)	-	(2,811)
Share-based payment charge	(264)	(232)	(219)	(715)
Total operating profit/(loss)	**7,122**	**5,141**	**(2,397)**	**9,866**
Finance expense	(378)	(26)	(145)	(549)
Profit/(loss) before taxation	**6,744**	**5,115**	**(2,542)**	**9,317**
Income tax (expense)/income	(865)	(1,131)	26	(1,970)
Profit/(loss) for the year	**5,879**	**3,984**	**(2,516)**	**7,347**

Statement of financial position as at 31 December 2021

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

Income statement for the year ended 31 December 2020

	Brand Addition	Facilisgroup	Central operations	Year ended 31 December 2021
	£'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 payment 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 asset	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**

5. INCOME TAX EXPENSE

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Current income tax		
- UK corporation tax charge for the year	217	-
- Adjustments in respect of prior years	(40)	(112)
- Foreign tax	1,173	445
Total current income tax	**1,350**	**333**
Deferred tax		
- Deferred tax	755	522
- Adjustments in respect of prior years	(173)	48
- Impact of rate change	38	(14)
Total deferred tax	**620**	**556**
Total income tax expense	**1,970**	**889**

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

Analysis of charge in year	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Reconciliation of total tax charge:		
Profit before taxes	9,317	4,969
Profit before taxes multiplied by the rate of corporation tax in the UK of 19% (2020: 19%)	**1,770**	**944**
Effects of:		
Adjustments in respect of prior years	(213)	(64)
Impact of UK rate change	38	(14)
Non-deductible (income)/expenses	(24)	90
Differences in tax rates in overseas jurisdictions	382	183
Unrecognised for deferred tax	32	503
Utilisation of unrecognised deferred tax brought forward	(15)	(753)
Total income tax expense	**1,970**	**889**

Factors that may affect future tax charges

The Government made a number of budget announcements on 3 March 2021. These include confirming that the rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Amounts recognised directly in equity

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

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Deferred tax: credit relating to employee share schemes – value of employee services	67	2

6. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year.

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

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

The impact of the potentially dilutive share options issued under The Pebble Group Plc Long Term Incentive Plan on 21 December 2020 and 8 June 2021 and Group Sharesave Plan (SAYE) on 6 October 2021 as detailed in note 10 is 0.01p for the year ended 31 December 2021. There is no impact on the basic earnings per share for the year ended 31 December 2020.

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

Statutory EPS

	Year ended 31 December 2021	Year ended 31 December 2020
Earnings (£'000)		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	7,347	4,080
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	167,450,893	167,450,893
Weighted average dilutive effects of conditional share awards	353,605	-
Weighted average number of shares for the purposes of diluted earnings per share	167,804,498	167,450,893
Earnings per ordinary share (pence)		
Basic earnings per ordinary share (pence)	4.39	2.44

Diluted earnings per ordinary share (pence)	4.38	2.44

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 charge and exceptional items, all net of taxation, and are considered to show the underlying performance of the Group.

	Year ended 31 December 2021	Year ended 31 December 2020
Earnings (£'000)		
Earnings for the purposes of basic and diluted earnings per share being adjusted earnings	8,599	4,965
Number of shares		
Weighted average number of shares for the purposes of adjusted earnings per share	167,450,893	167,450,893
Weighted average dilutive effects of conditional share awards	353,605	-
Weighted average number of shares for the purposes of diluted earnings per share	167,804,498	167,450,893
Adjusted earnings per ordinary share (pence)		
Basic adjusted earnings per ordinary share (pence)	5.14	2.96
Diluted adjusted earnings per ordinary share (pence)	5.12	2.96

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

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Profit for the year attributable to equity shareholders	7,347	4,080
Add back/(deduct):		
Amortisation charge on acquired intangible assets	894	537
Share-based payment charge	715	14
Exceptional items	-	542
Tax effect of the above	(357)	(208)
Adjusted earnings	**8,599**	**4,965**

7. INTANGIBLE ASSETS

	Goodwill	Customer relationships	Software and development costs	Work in progress	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 January 2020	35,882	10,437	11,156	336	57,811
Impact of foreign exchange 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
Impact of foreign exchange translation	3	97	100	-	200
Additions	-	-	3,553	739	4,292
Reclassifications	-	-	538	(538)	-
Balance at 31 December 2021	**35,805**	**10,241**	**21,321**	**423**	**67,790**
Accumulated amortisation					
Balance at 1 January 2020	-	635	7,009	-	7,644
Impact of foreign exchange 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
Impact of foreign exchange translation	-	(13)	37	-	24
Charge for year	-	503	2,308	-	2,811
Balance at 31 December 2021	**-**	**1,647**	**10,469**	**-**	**12,116**
Net book value					
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
At 31 December 2021	**35,805**	**8,594**	**10,852**	**423**	**55,674**

Staff costs of £3,667,000 (2020: £1,688,000) 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 15 and 17 years (2020: 16 and 18 years) and for software and development costs are between 1 and 5 years.

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

Goodwill is attributed to the respective cash-generating units ("CGUs") within the Group (Brand Addition and Facilisgroup). Goodwill has been tested for impairment by assessing the value in use of each CGU. The value in use calculations were based on projected cash flows in perpetuity. For both CGUs, budgeted cash flows for 2022 to 2026 were used. For Brand Addition, these were based on a forecast for 2022 with growth rates of 6% applied to EBITDA. For Facilis, these were based on forecasts for 2022 to 2024, with 20% growth rates applied to EBITDA in 2025 and 2026. Subsequent years were based on a reduced rate of growth of 2.0% (2020: 2.0%) into perpetuity. Appropriate adjustments were also made for changes in working capital and other cash flows to both CGUs.

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

The Directors used an estimated market weighted average cost of capital ("WACC") of 8.9% for Brand Addition and 9.3% for Facilisgroup (2020: 9.0% for Brand Addition and 9.4% 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 set out above, indicate the Group has significant headroom and therefore do not give rise to impairment concerns.

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

Goodwill is attributable to the following segments:

	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Brand Addition	33,057	33,057
Facilisgroup	2,748	2,745
	35,805	35,802

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

	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Brand Addition	171,111	153,100
Facilisgroup	215,961	63,200
	387,072	216,300

Management considers that no reasonably possible changes would reduce either CGU's headroom to nil.

8. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings	Computer hardware	Right-of-use Assets	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 January 2020	3,854	2,275	10,506	16,635
Impact of foreign exchange translation	(33)	(13)	(27)	(73)
Additions	241	565	3,853	4,659
Disposals	(349)	(119)	(1,537)	(2,005)
Balance at 31 December 2020	3,713	2,708	12,795	19,216
Impact of foreign exchange translation	19	(2)	45	62
Additions	160	520	461	1,141
Disposals	-	-	(517)	(517)
Balance at 31 December 2021	**3,892**	**3,226**	**12,784**	**19,902**
Accumulated depreciation				
Balance at 1 January 2020	3,144	1,865	5,545	10,554
Impact of foreign exchange translation	(23)	(9)	30	(2)
Charge for the year	163	240	1,164	1,567
Disposals	(349)	(119)	(1,537)	(2,005)
Balance at 31 December 2020	2,935	1,977	5,202	10,114
Impact of foreign exchange translation	16	10	20	46
Charge for the year	182	336	1,468	1,986
Disposals	-	-	(171)	(171)
Balance at 31 December 2021	**3,133**	**2,323**	**6,519**	**11,975**
Net book value				
Balance at 31 December 2019	710	410	4,961	6,081
Balance at 31 December 2020	778	731	7,593	9,102
Balance at 31 December 2021	**759**	**903**	**6,265**	**7,927**

Right-of-use assets – net book value

	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Leasehold property	**6,069**	7,267
Fixtures and fittings	**140**	227
Computer hardware	**56**	99
Total Right-of-use assets – net book value	**6,265**	**7,593**

9. LEASES

Lease liabilities	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	1,716	1,761
More than one year, less than two years	1,440	1,703
More than two years, less than three years	1,273	1,403
More than three years, less than four years	1,200	1,204
More than four years, less than five years	1,202	1,185
More than five years	2,338	3,513
Total undiscounted lease liabilities at year end	9,169	10,769
Finance costs	(1,397)	(1,790)
Total discounted lease liabilities at year end	**7,772**	**8,979**
Lease liabilities included in the statement of financial position:		
Current	1,384	1,334
Non-current	6,388	7,645
	7,772	**8,979**

Amounts recognised in the Consolidated income statement

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

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Depreciation charge – fixtures and fittings	1,424	1,120
Depreciation charge – computer hardware	44	44
	1,468	**1,164**
Interest expense (within finance expense)	**381**	**433**

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

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

10. SHARE-BASED PAYMENTS

In the year ended 31 December 2021 the Group operated equity-settled share-based payment plans as described below.

The Group recognised total expenses of £715,000 (2020: £13,569) in respect of equity-settled share-based payment transactions in the year ended 31 December 2021.

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 and 8 June 2021 under the LTIP.

Under the LTIP, the Group has made awards over 2,208,570 (2020: 1,248,060) conditional shares to certain Directors and employees.

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

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

Details of the maximum total number of ordinary shares which may be issued in future periods in respect of LTIP awards outstanding at 31 December 2021 are shown below:

	Number of shares
At 1 January 2021	1,248,060
Granted in the year	960,510
Lapsed in the year	(134,324)
At 31 December 2021	**2,074,246**

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

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

Performance conditions		2020 award 3 years ended 30 June 2023	2021 award 3 years ended 31 December 2023
70% Cumulative adjusted EPS Basic adjusted EPS as defined in the LTIP rules, excludes share-based payment charge, exceptional items and amortisation from acquired intangibles	Threshold (25% of maximum vesting) Mid-range (60% of maximum vesting) Maximum (100% of maximum vesting)	13.4p 14.3p 15.1p	15.4p 16.3p 17.3p

30% Annualised TSR Annualised growth in total shareholder returns	Threshold (25% maximum vesting) Mid-range (60% maximum vesting) Maximum (100% maximum vesting)	8.0% pa 11.3% pa 15.0% pa	8.0% pa 11.3% pa 15.0% pa

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

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

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

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

Details of the maximum total number of ordinary shares which may be issued in future periods in respect of SAYE awards outstanding at 31 December 2021 are shown below:

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