2021

The Pebble Group

The Pebble Group plc

Annual Report 2021

Stay up to date at
thepebblegroup.com

Building brands.
Growing relationships.
Strengthening businesses.

Our values shape our culture, define who we are, what we do and how we act.

We are **one team** using our diverse skills and experience to support each other's successes and challenges, respecting our differences.

Enjoying the journey in a culture of integrity, transparency and fairness, where we are proud of our past and excited by our future.

Ambitious in our commitment to achieving positive results with sustainable impact.

Learning and growing knowing there is always progress to be made.

Connected to all our stakeholders developing long-term relationships by engaging to understand needs and aspirations.

Our history

2012

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

2014

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

2016

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

2017

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

"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."

Richard Law
Chair

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

2019
Admission to AIM

2020
Acquisition of software assets for Facilisgroup that enable the provision of further recurring revenue services to existing and potential Partners

2021
Successful completion of Round 1 beta testing for the Commercio component of Facilisgroup's digital commerce platform

Highlights

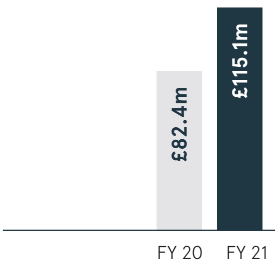
The Pebble Group

Financial

REVENUE

£115.1m

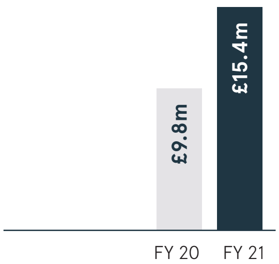
+39.7%



ADJUSTED EBITDA[1]

£15.4m

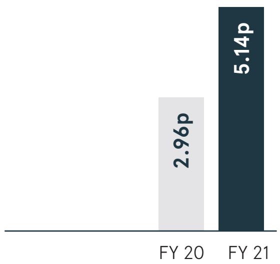
+57.1%



BASIC ADJUSTED EPS[2]

5.14p

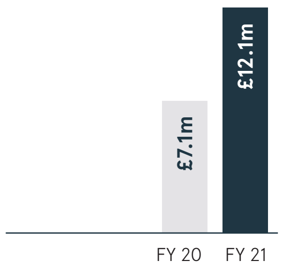
+73.6%



NET CASH[3]

£12.1m

+70.4%



1 Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, amortisation, share based payments charge and exceptional items

2 Basic adjusted EPS is calculated as 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

3 Net cash is defined as cash and cash equivalents less borrowings (excluding lease liabilities)

Operational

- Strong recovery ahead of pre-pandemic performance levels with Group Revenue of £115.1m for the year to 31 December 2021 ("FY 21") (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, Annual Recurring Revenue ("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

The Pebble Group

facilisgroup

brand addition.

facilisgroup

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
Adjusted EBITDA	**£7.6m**	£6.0m	£5.1m

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. GMV and spend with our Preferred Suppliers was USD1.15bn (FY 20: USD1.02bn) and USD0.35bn (FY 20: USD0.26bn) respectively.

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.

brand addition.

Brand Addition	FY 21	FY 20	FY 19
Revenue	**£102.4m**	£72.6m	£97.9m
Adjusted EBITDA	**£9.9m**	£5.2m	£10.7m

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.

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.

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.

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%).

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

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

facilisgroup

£7.6m Adjusted EBITDA

11% of Group revenue

Facilisgroup provides technology solutions and an digital commerce platform to SME promotional product distributors in the United States and Canada, that enables them to benefit from significant business efficiencies and supply chain advantages.

Read more on page 8

brand addition.

£9.9m Adjusted EBITDA

89% of Group revenue

Brand Addition is a leading provider of promotional products and related services that help the world's most recognisable global brands build culture, awareness and meaningful connections. It designs products and product ranges, utilising its global network and technology infrastructure to source and deliver complex, sustainable, creative promotional merchandise solutions.

Read more on page 10

Investment case

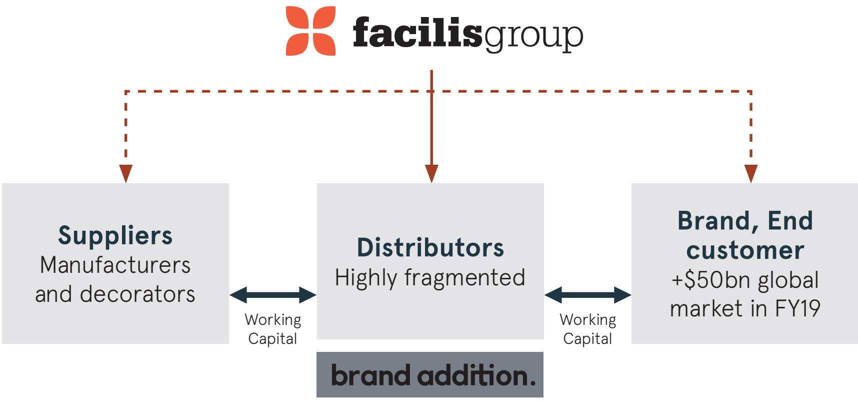
Differentiated positioning within the $50bn global promotional products space

Facilisgroup – recurring revenue model, technology and long-term deep-rooted relationships with its Partners, driving high quality scalable earnings

Brand Addition – established leading market position, focus on sustainability and strong relationships with a diversified blue-chip client base

Our markets

The promotional products market is large



Promotional products are used by businesses of all sizes and sectors and across geographies.

More than advertising brands, they enable businesses to develop customer relationships, create engagement, build loyalty, and reward customers and employees.

Strong track record of historical financial growth and proven resilience to macro challenges

The Group model is well positioned through the economic cycle

Proven, experienced, high calibre management team

Focus on governance, strong risk management and a bespoke ESG framework

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

Our business model

The industry	c.$50bn promotional products market	
Our Group	**The Pebble Group** *Providing technology products and services into the global promotional products industry* **Building brands, growing relationships, strengthening businesses**	
Our focused businesses	**Facilisgroup** **Technology and services**	**Brand Addition** **Products and services**
Target market	**SME promotional product distributors**	**Large global brands**
Services	**Software as a Service (SaaS) technology** to power efficiency and growth Ecommerce platform for online sales and processing **Supply chain consolidation** for supply chain advantage **Community** events and training	**Design** corporate ranges and bespoke products **Source** from ethical suppliers **Deliver** across the globe
Revenue model	**Subscriptions** for technology and online stores **Fees** for supply chain management resulting in recurring annual revenues	**Margin** on products and services
Geographic hubs	US Canada	Europe Asia US

Where we operate

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

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

Europe

Manchester
Dublin
London
Hagen

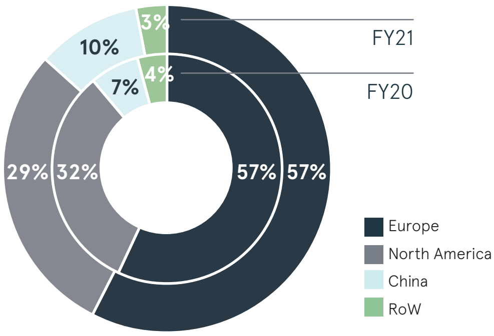
North America

Ottawa
St. Louis

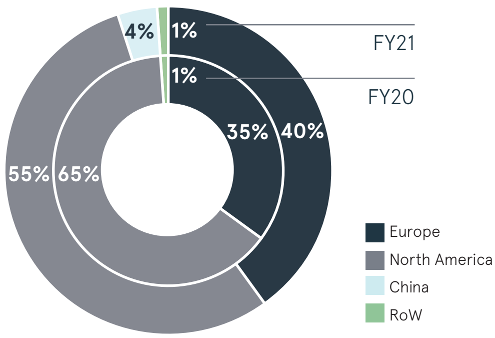
China

Guangzhou
Hong Kong
Shanghai

REVENUE BY GEOGRAPHY (%)



EBITDA BY GEOGRAPHY (%)



Our vision

The Pebble Group

Digital commerce, products and related services to the global promotional products industry.

facilisgroup

Our vision is to be the industry leader in digital commerce providing a combination of integrated products that offer the full suite of technology required for entrepreneurial businesses to grow and professionalise.

brand addition.

Our vision is to be the industry leader in providing products and related services, under contract, to the best-known brands in the world that use promotional products as a key engagement tool.

Our businesses

facilisgroup

Facilisgroup provides a digital commerce platform to mid-size promotional products businesses in North America, which enables those businesses to benefit from significant business efficiency through its technology and to gain meaningful supply chain advantage from the ability to purchase from quality suppliers under preferred terms.

Our recurring revenues, 96% of FY 21 total revenues, are derived from subscriptions for technology and a proportion of the gross merchandise value flowing through the platform.

Established in 2004 and acquired by The Pebble Group plc in December 2018, Facilisgroup provides a SaaS-based platform to support the operations of SME promotional product distributors based in the United States and Canada. Facilisgroup has built a community of over 200 SME promotional product distributors, over 80 Preferred Suppliers in North America and in the year ended 31 December 2021 processed over $1.15bn of sales (2020: $1.02bn) in the promotional products sector. A typical Facilisgroup Partner generates between $2million and $20million of annual sales.

Facilisgroup attracts and retains Partners through its proprietary Syncore software, consolidating the buying power of its Partners and developing its community of Partners and suppliers through learning and networking events. It generates revenue through two main pillars: subscription revenue from providing technology to its Partners and income from its suppliers for coordinating the consolidation of spend. In 2021, Facilisgroup carried out a beta launch of Commercio, a new product that provides distributors with the opportunity to deploy and operate online stores, a key selling tool for Partners and many entrepreneurial businesses in the sector. This accelerates Facilisgroup's ability to market in support of its vision to become the technology leader in the promotional products industry.

Facilisgroup is headquartered in the US with offices in Canada. Its aspiration is to be the technology leader in the North American promotional products market, with a medium term aspiration to become a $50m ARR business by the end of 2024.

Learn more at facilisgroup.com

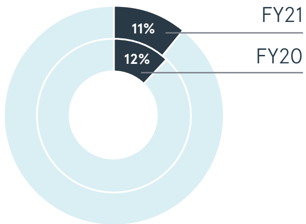
Target market: SME promotional product distributors

Revenue model: Subscriptions for technology and online stores, fees for supply chain management

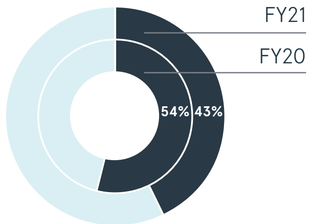
Manages: Over $1.15bn sales (up from $1.02bn in 2020) in the promotional products sector from 200 Partners (up from 175 in 2020) in the US and Canada

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

PERCENTAGE OF GROUP REVENUE (%)



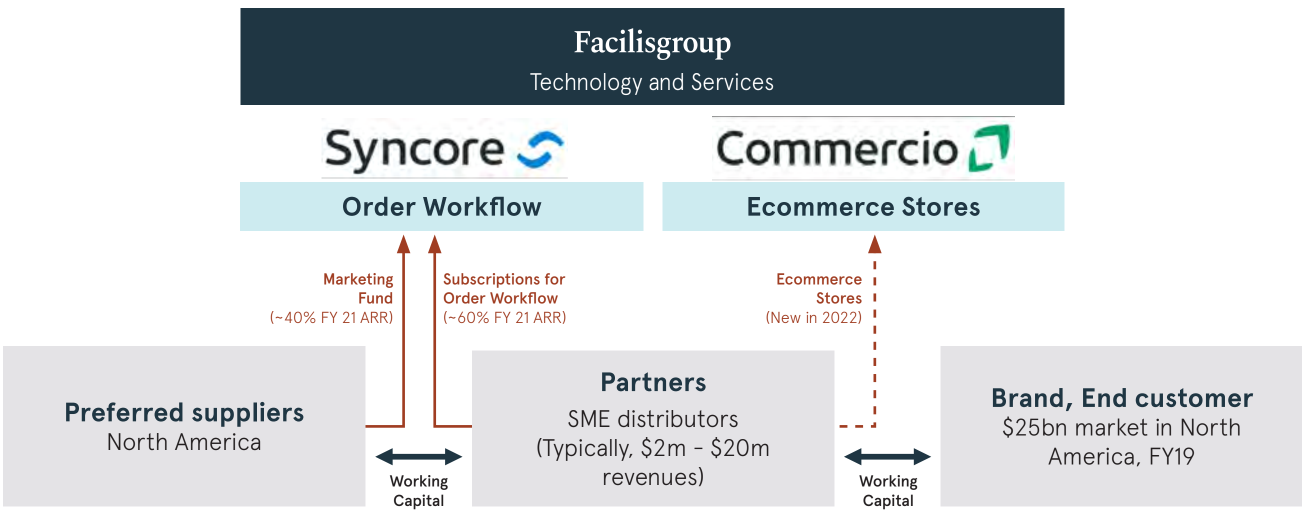
PERCENTAGE OF ADJUSTED EBITDA (%)



Note: percentages for Adj. EBITDA exclude central costs

Facilisgroup's business model

High visibility of recurring revenues with a growing customer base




Dashboard
451
106
64
65
124
$500.00
$750.00
$144,837
LAST CALL!

Our businesses

brand addition.

Brand Addition provides promotional products and related services that help the world's most recognisable brands build culture, awareness and meaningful connections. We extend our client's values in thoughtful, sustainable, globally conscious ways to create branded moments that people love.

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 incentives.

Working in close collaboration with its clients, Brand Addition designs creative and sustainable products and product ranges, hosts client-branded ecommerce platforms and provides international sourcing and distribution solutions throughout Europe, North America and Asia. It utilises its global network to ethically source and deliver complex and creative product solutions.

Headquartered in Manchester, it has locations in Europe, the US and Asia. Revenues are categorised into two divisions: Corporate Programmes that support clients' general marketing activities through B2B and B2C stakeholder engagement and Consumer Promotions that support clients in driving their own sales volumes across all retail channels.

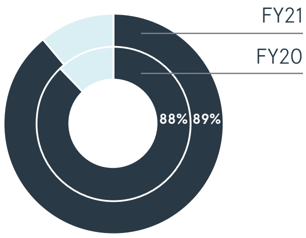
Target market: Large global brands

Revenue model: Margin on products and services

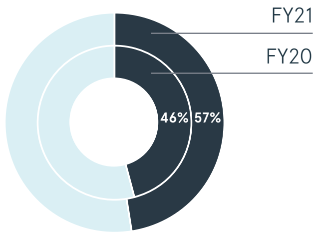
Supporting clients: Globally and locally with offices in Europe, the US and Asia

Excellent track record of attracting and retaining many of the world's leading brands through intelligent imagination, ethical and bespoke sourcing, international distribution and logistics and technology solutions

PERCENTAGE OF GROUP REVENUE (%)



PERCENTAGE OF ADJUSTED EBITDA (%)



Note: percentages for Adj. EBITDA exclude central costs

Brand Addition's business model

Win, grow, retain, repeat

Learn more at brandaddition.com


JCB
MAKER RANGE
A SELECTION OF PRODUCTS
MADE TO SUIT EVERYONE
Shop
EXPLORE
OVERALLS
KEYRINGS


Add what matters.
brand addition.

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

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.

One of our values:

Enjoying the journey in a culture of integrity, transparency and fairness, where we are proud of our past and excited by our future.

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.

Chief Executive Officer's review

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.

Christopher Lee
Chief Executive Officer
22 March 2022

Becoming a partner of choice.

One of our values:

Ambitious in our commitment to achieving positive results with sustainable impact.

The promotional products sector globally is estimated to be c.$50bn. We believe that the market is evolving quickly and growing in importance in the world's most sophisticated economies.

The market is highly fragmented. The Pebble Group is one of the largest businesses in this industry, processing $1.3bn of sales orders in 2021, but we, together with the other large operators, account for less than 10% of the market, with the remainder accounted for by small and mid-tier distributors.

The Group's two businesses serve different parts of this market: Facilisgroup provides technology to SME distributors in North America and Brand Addition provides promotional products to large global brands.

Facilisgroup's aspiration is to be the technology leader in the North American promotional products market with a medium term aspiration to become a $50m ARR business by the end of 2024.

Brand Addition's core strategy is to win, grow and retain multi-country out-sourced contracts, often valued in millions of pounds per year, with many of the world's leading brands.

In 2021 we stated our intention to expand Facilisgroup's technology products and to reach a wider potential new client base by launching an integrated digital commerce platform for existing Partners and an order workflow technology platform for smaller distributors, below US$2m, not serviced by our existing product. Together, Facilisgroup's three technology products will provide the spectrum of technology that powers the efficiency and growth of entrepreneurial promotional product distributors in North America and underpins the business' annual recurring revenue ambitions.

Strategic objective	Progress made in the year	Priorities for 2022
Organic growth opportunities		
Brand Addition: Win, Grow, Retain, Repeat		
Win client contracts with major brands	The business has been successful in winning a number of significant global contracts during the year. The majority of these client wins were implemented in FY 21 and are expected to have a material impact to FY 22 revenues. (For further commentary on revenue from new clients in FY 21, please refer to the Key Performance Indicators section of this report on pages 38-40).	Continue to win significant new client contracts.
Grow with existing clients across geographies and across brands	In our Consumer Promotions division we grew our market share within a number of client relationships where our product was used to support their product sales. In Corporate Programmes, where COVID-19 severely disrupted client activities in FY 20, overall spend from existing clients grew but some clients remain in recovery compared to FY 19. (For further commentary on growth in revenue from existing clients in FY 21, please refer to the Key Performance Indicators section of this report on pages 38-40).	Build upon the robust performance of our Consumer Promotions division and seek the return to growth from all clients in our Corporate Programmes division.
Retain major client contracts	Our Top 20 clients, historically representing between **60%** and **70%** of annual revenues, remained clients at the end of FY 21. (For further commentary on revenue by client concentration in FY 21, please refer to the Key Performance Indicators section of this report on pages 38-40).	Continue to evolve the services provided to our existing Top 20 client relationships and deliver long-term value to the business.
Facilisgroup: Growth driven by an integrated digital commerce platform		
Syncore Order workflow, distributors with sales of > $2m	Growth in Partner numbers is a key indicator of future performance and we continued this acceleration with Partner numbers increasing from 175 to 200 in the year. (For further commentary on the increase in Partner numbers in FY 21, please refer to the Key Performance Indicators section of this report on pages 38-40).	Continue to attract new Partners to this product.
Commercio Ecommerce platform, all distributors	Investment continued into evolving technology to improve the services we offer to our Partners and Preferred Suppliers. We launched, in beta format, ecommerce stores under the brand Commercio to increase new services to existing Partners and attract new Partners to Facilisgroup.	Exit beta mode and launch to existing Partners as a subscription service by the end of Q2 22. Further develop this product to offer beyond our existing Partners and into the wider promotional products market in early 2023.
Order workflow product Order workflow, distributors with sales of < $2m	Investment started in the development of an order workflow product to support small (<$2m GMV) distributors.	Accelerate the investment into this product, aiming to be in a position to launch into the market in 2023.
Selective consideration of acquisitions by the Group		
The Pebble Group		
Deploy capital on selective acquisitions that accelerate the ability of the Group to create long-term value through additional technology products or the ability to expand into additional sectors or geographies.	The business did not proactively pursue any acquisition opportunities in FY 21, focusing on significant organic growth plans.	Continue to create excellent value for shareholders. Acquisition opportunities may continue to help support organic growth in the long-term development of the Group.

Listening to our stakeholders.

One of our values:

Connected to all our stakeholders developing long-term relationships by engaging to understand needs and aspirations.

Stakeholder engagement

Investing in, and developing, our stakeholder relationships are central to our Group values. We believe building, and maintaining, effective stakeholder engagement makes people want to work with, purchase from, sell to, and invest in us.

This approach is cascaded down through our businesses in pursuit of the success of the Group. Our stakeholders are key to our decision-making and are considered by the Board of Directors of the Group (the "Group Board") and also by our senior team as part of the decision-making process.

Our Key Stakeholders

The Company has identified the four key stakeholder groups set out below, the issues that are most relevant to each of them and details how it has, and continues to, engage with each of them.

Our Teams

Why we engage	How we engage	Key topics of engagement	Impact of engagement
The sustainable success of our business depends upon our engagement with our teams. We engage to promote the Group's corporate culture and cascade our ethical values, behaviours and expectations. We aim to create a positive and inclusive culture, sensitive to the issues that affect our people, so they can thrive and grow. We engage to ensure that we continue to develop and invest in our highly talented and dedicated people in the right way.	• Encourage feedback, including via team surveys, employee forums and one-to-one discussions • Use of structured personal development plans and formal assessment tools • Enhancing training opportunities via Learning Management Software (LMS) • Management development programme • Regular business performance and strategy updates directly from our CEO, CFO and senior team • Access to anonymous whistleblowing service • Operation of the Long Term Incentive Plan (LTIP) and Group Sharesave Plan (SAYE)	• Company vision: one, three, and five-year strategic plans including opportunities for departmental growth and advancement • Pandemic impact: how the Company has responded, what this means for our teams, and changes to our way of working • Return to office strategy: need for a flexible working environment with support for team health and well-being • Opportunities for growth and development and support in reaching full personal potential • Embracing diversity, equity and inclusion (DEI) • Environmental impact of our organisation: our work on ESG and commitments to sustainability • Social impact of our organisation and community initiatives	• Teams are informed and therefore engaged • Increased and improved flexibility in working patterns • Improved transparency of individual styles at all levels across Facilisgroup and better informed decision-making on team structure and recruitment • Formal adoption of Group DEI policy (See ESG pages 26-37) • Improved focus on talent pipeline and development of succession planning aligned with DEI (See Nomination Committee activity on pages 54-55) • Promotion of leaders from within our businesses, alongside new talent sourced externally • Implementation of ESG initiatives and successful social and community engagement (See ESG pages 26-37) • Incentivisation of teams is aligned with the Group's long-term performance and shareholder value

One of our values:

We are **one team** using our diverse skills and experience to support each other's successes and challenges, respecting our differences.

Clients and Partners

Why we engage	How we engage	Key topics of engagement	Impact of engagement
Effective engagement is key to attracting, and retaining, a quality client and Partner base from which we can nurture strong and long-term relationships. Our clients' and Partners' success is driven by the quality of our products and services. We ensure continued investment in the right technology, services and teams to enhance our relationships and create long-term value on both sides.	• Via regular one-to-one feedback discussions across multiple client touch points • In person and virtual meetings/events to update on business objectives and provide opportunities for shared learning • Dedicated 'Partner Success Managers' in Facilisgroup whose key role is to maintain regular ongoing contact with Partners • Hosting regular in person small group events (7-10 Partners) at Facilisgroup HQ • Facilisgroup weekly newsletter called '411' • Monthly virtual education sessions on key topics for Facilisgroup Partners • Quarterly Business Reviews with key Brand Addition clients • Client questionnaires at Brand Addition, including Net Promoter Scores which allow us to measure client satisfaction	• Pandemic impact: our response and client support • Ongoing development and improvement of our technology, services and client support • Collaboration on growth strategies • Training to enhance the benefits of using our technology with a focus on ensuring engagement • ESG and sustainability: how we can support and deliver on clients' and Partners' ESG commitments, whilst also achieving our own	• Client retention: Clients and Partners have shown they value long-term relationships. Through the pandemic, Brand Addition secured new business and retained contracts with all key clients and Facilisgroup Partner retention rates were near 100% • Facilisgroup's community supports Partner collaboration and growth • Brand Addition continues to place sustainability at the centre of its five-year strategic development plan 'ba.ONE sustainability and growth' • Recruitment of a 'sustainability manager' in Brand Addition

Our stakeholders

Strategic suppliers

Why we engage	How we engage	Key topics of engagement	Impact of engagement
The quality of our products and services is heavily influenced by the careful management of our relationships with our strategic suppliers. Facilisgroup's suppliers are trusted partners delivering to a shared customer base. Supplier engagement is a key part of the Facilisgroup business model. Developing the community between Preferred Suppliers and Partners creates additional opportunities for all. Ensuring we retain, and develop, our diverse and robust supply base is more important than ever to manage global supply chain challenges. Brand Addition's collaboration with key suppliers in Asia, Europe, and North America develops and ensures robust long-term trusted partnerships with suppliers that conform to clients' and Group's expectations on ethical values, ESG, and sustainability standards.	• Through use of formal written contracts, negotiated transparently and openly to set clear expectations • Via regular face-to-face and virtual meetings to discuss performance and provide feedback • Ongoing two-way evaluation processes to facilitate business improvement and address ultimate client demands • Supplier networking events providing efficient, easy access to growth and development opportunities • Formal audit processes providing feedback and opportunities for development	• Supply chain impact and risk mitigation from product sourcing to logistics and delivery. This relates to both direct and indirect production, Brexit, shipping and their impact on lead times and costs • Changing industry trends and future relationships • Efficiency strategies, growth opportunities • Supporting the Group's ESG and sustainability commitments and goals, specifically: environmental impact of product being supplied, packaging, supply chain • How the Group can assist, influence, and develop its suppliers' own ESG and sustainability plans	• Suppliers value mutually supportive relationships and in both Facilisgroup and Brand Addition, spend with Preferred Suppliers grew in FY 21 vs FY 20 • Long term relationships with our suppliers enabled us to continue to secure products while supply chains were challenged • Successful navigation of supply chain pressures allowed Brand Addition to deliver to agreed schedules for its clients at volumes ahead of FY 19

Shareholders and the wider investment community

Why we engage	How we engage	Key topics of engagement	Impact of engagement
We seek shareholders who are aligned with our long-term objectives for the Group. Access to long-term capital supports our strategy. We therefore strive to develop our investors' understanding of our business model, strategic objectives and culture. Through open and transparent engagement with the investor community, we aim to ensure the Group's operations and financial performance are clear and understood, and to provide the necessary information to ensure investors can make informed judgements about the Group. Investors and analysts require our engagement on ESG to guide their investment stewardship activities.	• Publication of Annual Report and Accounts and Annual ESG report • Regular and detailed trading updates to the market • Open access investor presentation by CEO and CFO including live Q&A via a live webcast. (FY 20 and HY 21 webcasts available on the Company's website) • Participation in formal Broker-hosted events including live Q&A to extend reach our senior executives • Availability of CEO and CFO to answer questions around trading updates throughout the year • One-to-one investor meetings or calls with the CEO/CFO at the full year and interim results • Detailed 'Investor' section on the Company's website • Annual General Meetings and availability of Chair of the Group Board and Chair of each Board Committee to answer questions • Ad-hoc meetings or written responses as requested by existing and potential shareholders and analysts	• Supply chain and logistics disruption and Company capabilities to manage and mitigate risk • Business recovery post pandemic • Changes to our industry as a result of the pandemic • Group approach to ESG and corporate governance (see ESG pages 26-37) • Group approach to diversity, equity and inclusion (see Nomination Committee activity on pages 54-55)	• Improved investor knowledge and understanding of the Group, its operations and activities, with extended reach to senior executives • Investor relations activity and feedback discussed regularly at Board meetings and factored into decision-making by the Group Board • Improved transparency of Group information with open access Investor Relations content available on the Company's website • Group Senior ESG Officer increased active support to the Group Board and Operating Boards to ensure the highest standards and delivery on ESG commitments • Formal adoption of Group DEI policy (See ESG pages 26-37) linked to succession planning • Steps taken to ensure early alignment to TCFD reporting requirements

Section 172(1) statement

We strive to maintain our reputation for high standards of business conduct. At The Pebble Group our emphasis is on making decisions with regard to acting equitably and for the long-term.

One of our values:

Connected to all our stakeholders developing long-term relationships by engaging to understand needs and aspirations.

This section describes how the Directors had regard to the matters in Section 172(1) (a) to (f) of the Companies Act 2006 in Board discussions and actions, behaviours and decision-making, when performing their duty to promote the success of the Company for the benefit of shareholders as a whole during 2021.

The Group Board and senior team know that considering all our stakeholder relationships, having proper regard to our stakeholders' interests and being aware of the external impact of our activities on the communities and environments in which we operate, will ultimately drive value to our shareholders and secure our long-term success.

Our Group Board reporting template includes Section 172(1) guidance and prompts to ensure each paper explains which stakeholders are relevant to a decision, what long-term factors must be considered in all decision-making, and that appropriate time is allotted for open and in-depth discussion.

The table below depicts three examples of key decisions made during 2021 which focussed on issues that are important to the Company's long-term success. It describes each stakeholder group that was relevant to the decision and how they, and other matters set out in Section 172(1), were considered:

Significant investment in Facilisgroup technology products.

The Group Board carefully considered the impact of the decision to increase levels of capital expenditure to accelerate the investment into Facilisgroup's digital commerce products.

Key stakeholder groups

Our clients and Partners

Investment in the continued development of existing technology and introduction of new technology products is a key strategic objective.

This investment will ensure the technology utilised by our Partners and clients continues to evolve, supporting retention and attracting new clients and Partners to the Group. The introduction of new products will enable us to reach new clients and Partners, supporting the delivery of our ambition for Facilisgroup to be a $50m ARR business by the end of 2024.

Shareholders and the wider investment community

Our medium-term ambition for Facilisgroup was shared with investors in March 2021 as part of our FY 20 results presentation. Driving scale in Facilisgroup to deliver $50m ARR by the end of 2024 will deliver significant value to our shareholders.

How Directors had regard to stakeholders' interests and engagement output

The results of engagement with our clients and Partners outlined on page 19 informed the Group Board that development of an integrated digital commerce platform to support online sales was key for their business efficiency and evolution. The Group Board therefore understood the implications for client retention. Feedback from prospective clients informed the Group Board that our ability to offer this integrated solution was key to their decision-making.

The Group Board used this information to conclude that accelerating investment in this platform was critical to both Partner retention and acquisition.

The Group Board's communication with investors on plans to scale Facilisgroup as a key strategic initiative meant that the decision to accelerate investment in this platform was critical to meeting shareholder expectations in the medium-term.

How Directors had regard to other Section 172(1) matters

Culture

The Group Board considered the positive impact on the Company's culture of reinforcing the importance of creativity, innovation, continuous progression, optimisation and business transformation through the introduction of and investment in new technology products.

Reputation

The Group Board had regard to how remaining at the forefront of the transformation and growth of the promotional products industry with leading technology products was important to maintaining the Company's reputation.

Long-term impact

The decision was concluded to be of long-term benefit and likely to promote the success of the Company for the benefit of its shareholders as a whole.

Section 172(1) statement

Launch of Group Sharesave Plan (SAYE).

The Group Board strongly supported the launch of our SAYE to all eligible employees after previous postponement due to COVID-19 disruption.

Key stakeholder groups

Our teams
Directly impacted by opportunity of share ownership in the Group.

Our shareholders and the wider investment community
There is significant interest in the extent of employee engagement and retention across our businesses; and the alignment of our employees with the creation of long-term shareholder value.

How Directors had regard to stakeholders' interests and engagement output

The results of engagement with our teams outlined on page 18 informed the Group Board that the introduction of the SAYE was considered an opportunity for employees and would be received positively. As a result, the Group Board decided to maximise employee participation by (i) implementing a sub-scheme for US and Canada employees on as similar terms as possible; and (ii) ensuring maximum flexibility in option terms for example no minimum length of service condition for participation.

The shareholder advisory vote in favour of our Remuneration Committee Report (which noted our expectation to implement the SAYE) in the 2021 Annual General Meeting (AGM), and investor meetings discussions informed the Group Board that our shareholders and the wider investment community supported plans that encourage long-term employee engagement and align the objectives of the workforce with those of investors.

How Directors had regard to other Section 172(1) matters

Culture
Providing an opportunity for employees to participate in long-term value creation in the form of the SAYE was considered by the Group Board to be a positive team engagement and motivation tool which would align personal and team objectives with the Company's long-term goals, and positively impact the Group's culture.

Reputation
The Group Board considered that attracting and retaining a high performing team whose long-term objectives were aligned with the Company's overall goal of creating long-term shareholder value had a positive impact on reputation.

Long-term impact
The Group Board discussed how this was a key decision due to the potential positive impact on the long-term success of the Company.

Publication of ESG report.

The Group Board agreed to publish a separate annual ESG report to communicate its ESG commitment and vision in a clear and transparent manner. In September 2021, the Group Board approved a formal Group ESG Policy and its first ESG report for publication, which is available on the Company's website.

Key stakeholder groups

Our teams

It is important that our employees know they work for a business that embraces positive and progressive governance and is taking proactive steps to address the impacts of climate change and to consider DEI. We expect the ESG demands from our employees to increase as we encourage active participation from a diverse and increasingly engaged workforce.

Our clients and Partners

Our clients and Partners, and their own customers, increasingly demand responsible, sustainable and ethical products and solutions. Again, we expect this trend to continue to grow. Our ESG strategy is a key differentiator for our Group's businesses and will help us win, grow and retain clients and Partners. It is crucial that it is effectively represented by, and communicated to, our client base.

Our strategic suppliers

The impact of transition to a low carbon economy and the continued focus on ESG means we must ensure our existing and future suppliers understand our ESG strategy. It is important that our suppliers aim to align with our ESG goals and commitments, that they prioritise and develop sustainable practices within their business and throughout their supply chain.

Our shareholders and the wider investment community

There is significant increased focus on ESG in the investment community, driven largely by demand for sustainable options for investments to align with individuals' ESG principles. Investors and analysts consistently and actively engage and score companies on corporate governance to guide their own stewardship activities. There is an intensified focus on reporting on sustainability, driven by social equality and climate risk with a need for detailed information on policies around climate risk and decarbonisation plans, ESG metrics and DEI.

How Directors had regard to stakeholders' interests and engagement output

The results of engagement with all of our key stakeholder groups outlined on pages 18-21 informed the Group Board that this was an important step worthy of investment of time and resource, including at Board level, to ensure and demonstrate the commitment and engagement of the Group.

The Directors communicated the launch of the ESG report via the London Stock Exchange's Reach service.

How Directors had regard to other Section 172(1) matters

Environment and Community

The Group Board considered that a separate ESG report would clarify, and increase, the Group's internal focus on its ESG agenda and drive its strategy with direct involvement of senior executives. This was considered likely to have a positive impact on the environment and our communities which was the fundamental underlying aim of our ESG agenda.

Reputation

This tangible illustration of how the Company is building and looking to maintain a reputation for high standards of business conduct was considered to be a positive and accurate reflection of the Company's culture. This would positively impact the Company's reputation as an employer, with all other stakeholders and in our wider business community.

Long-term impact

The decision was concluded to be of long-term benefit and likely to promote the success of the Company for the benefit of its shareholders as a whole.

Environmental, Social and Governance (ESG).

One of our values:
Ambitious in our commitment to achieving positive results with sustainable impact.

ESG is fundamental to The Pebble Group. Our operations aim to build on a foundation of integrity, transparency and fairness.

The Group employs a Senior ESG Officer who reports to the CEO and is responsible for the implementation of the Group ESG strategy set and approved by the Group Board. Progress is assessed every six months at the Board's strategy review meeting.

Across the Group we aim to act responsibly through effective governance, managing our social and environmental impacts and risks throughout our operations and across our supply chains. We strive to use our influence to drive positive change by adopting sustainable materials and working with suppliers to ensure our responsibility extends across our supply chain.

To report against our strategy, we have developed our own bespoke ESG framework based upon four cornerstones that were identified as being important and relevant to our business and stakeholders. The framework defines the areas of priority and allows us to meaningfully report against the Group's ESG performance.

Our ESG Roadmap

Action	Status
1. Define ESG for The Pebble Group • Four ESG cornerstones developed.	**Defining and sharing our approach**
2. Create a reporting framework based on a materiality assessment • A framework based around 13 material issues, subdivided into a further 74 topics and aligned to relevant UN Sustainable Development Goals.	
3. Identify initiatives to facilitate the achievement of targets over the next five years • Initiatives to reduce energy consumption, carbon emissions, waste and plastic usage and to enhance social responsibility and ethical business practices identified.	
4. Produce first ESG report • Report launched in October 2021.	
5. Report regularly on ESG achievements against framework and initiatives using RNS Reach or our website	**The journey ahead**
6. Develop a framework to facilitate the collection and reporting of environmental performance data across the Group	
7. Regular assessment of framework, initiatives and targets based on stakeholder feedback and changes in the macro environment	

During 2021 we realigned and evolved our framework to reflect the areas identified from our Group-wide materiality analysis, linking each of these to the most relevant United Nations Sustainable Development Goals (UNSDGs).

Our four ESG cornerstones.

Impact of our business on the environment and our communities

Environmental Social Governance

Our aim is to make a positive long-term difference to our people and the communities in which we work, while minimising our impact on the environment.

Diversity, health, well-being and engagement

Environmental Social Governance

Our aim is to expand, celebrate and embrace individuality and diversity, providing a safe environment where we promote well-being and a healthy work-life balance.

Board independence, ethics and leadership

Environmental Social Governance

Our aim is to promote a culture based upon values and behaviours which stakeholders are comfortable to associate themselves with, developing long-term relationships between the Group and its stakeholders.

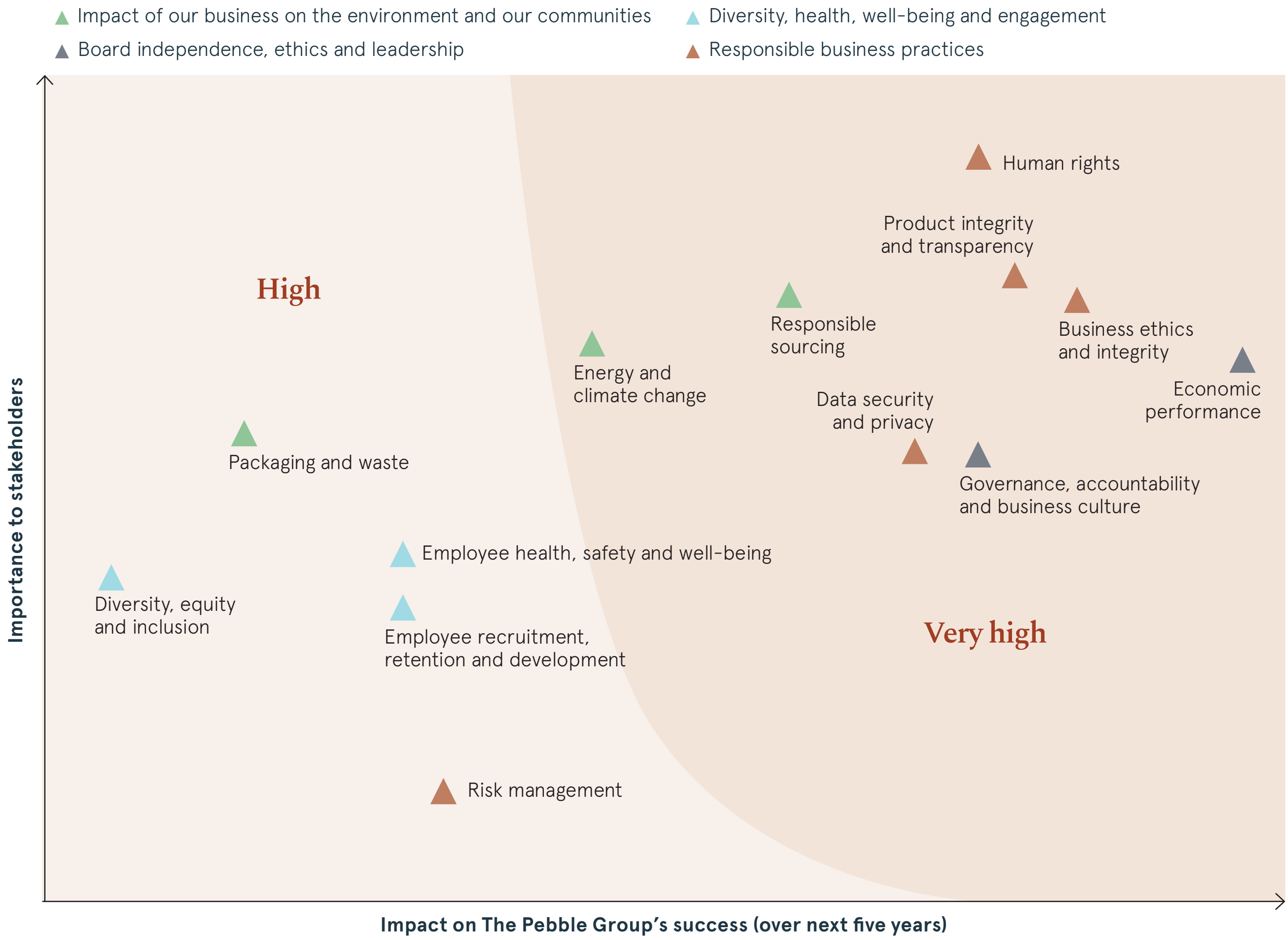
Responsible business practices

Environmental Social Governance

Our aim is to protect the interests of our stakeholders by adhering to responsible business practices and embedding robust processes, procedures and safeguards which are effectively managed in our organisation, reducing or mitigating risks that the business faces.

ESG is incorporated into our Group's governance framework to ensure that it is always at the centre of what we do. For further detail, please see the 'ESG governance' section on page 52 of this report.

Materiality assessment.



In May 2021 we conducted our first materiality assessment to identify the topics that were relevant and important to our stakeholders and which had the largest potential to impact the business over the next five years. The assessment was internal, drawing from our teams at different levels of the business, and incorporating feedback from past and current dialogue with key stakeholders (our teams, clients and Partners, strategic suppliers, shareholders and the wider investment community).

The process consisted of a brainstorming session within the Group's senior executives to identify all of the economic, social and environmental topics that were relevant and important to our business and our stakeholders. The assessment identified 74 relevant ESG related topics which were grouped into 13 different categories and aligned to one or more of our four ESG cornerstones. A scoring matrix was then developed and a cross functional management team scored each of the categories to rank them in terms of importance and impact.

Alignment with the UN Sustainable Development Goals.

	3 GOOD HEALTH AND WELL-BEING	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Impact of our business on the environment and our communities									
1.1 Energy and climate change						■			
1.2 Packaging and waste					■		■	■	
1.3 Responsible sourcing					■	■		■	
Diversity, health, well-being and engagement									
2.1 Diversity, equity and inclusion		■		■					
2.2 Employee health, safety and well-being	■								
2.3 Employee recruitment, retention and development			■						
Board independence, ethics and leadership									
3.1 Governance, accountability and business culture			■						■
3.2 Economic performance			■						
Responsible business practices									
4.1 Business ethics and integrity			■						■
4.2 Human rights			■						■
4.3 Product integrity and transparency					■				
4.4 Data security and privacy									■
4.5 Risk management									■

The materiality assessment allowed us to identify and align each of our key material issue categories with the most appropriate UN sustainable development goal, demonstrating how we aim to contribute to the fight against inequality and climate change, addressing some of the world's most pressing social and environmental issues.

Sustainability

Our commitments to each of the relevant UN SDGs

Goal	Details	Our commitment
3 GOOD HEALTH AND WELL-BEING	**Good Health and Well-being.** Ensure healthy lives and promote well-being for all at all ages.	To promote a positive work–life balance and support the health and well-being of all employees.
5 GENDER EQUALITY	**Gender Equality.** Achieve gender equality and empower all women and girls.	To actively work to ensure that we have an inclusive culture across the Group providing equal opportunities regardless of gender.
8 DECENT WORK AND ECONOMIC GROWTH	**Decent Work and Economic Growth.** Promote inclusive and sustainable economic growth, employment and decent work for all.	To ensure all our employees feel safe, valued and engaged, and are paid at least a living wage. Ensure the same responsible business practices are upheld across our supply chains.
10 REDUCED INEQUALITIES	**Reduced Inequalities.** Reduce inequality within and among countries.	To ensure all employees feel respected and are treated fairly and equally regardless of ethnicity, religious beliefs, gender, age, disability, sexual orientation, education and socio-economic background. We will also work to uphold these values throughout our supply chains, operating a zero tolerance approach to any form of intimidation, bullying, harassment, discrimination or victimisation.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Responsible Consumption and Production.** Ensure sustainable consumption and production patterns.	Aim to ensure all the products we source, or the vendors we employ to source, prioritise the use of sustainable materials and processes.
13 CLIMATE ACTION	**Climate Action.** Take urgent action to combat climate change and its impacts.	To reduce our impact on the environment through carbon reduction initiatives and the employment of sustainable materials and optimised logistics.
14 LIFE BELOW WATER	**Life Below Water.** Conserve and sustainably use the oceans, sea and marine resources for sustainable development.	To reduce and minimise plastic and marine pollution by aiming to remove single use plastic packaging from our bespoke manufactured products.
15 LIFE ON LAND	**Life on Land.** Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.	To develop and promote products that have a reduced impact on the environment by identifying the origin of raw materials and giving priority to organic, recycled, recyclable or biodegradable options.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**Peace, Justice and Strong Institutions.** Promote just, peaceful and inclusive societies.	To have in place robust policies and procedures to ensure responsible business practices and respect for fundamental human rights.

Publication of our first ESG report.

In October 2021 we published our first standalone ESG report providing a detailed look at our ESG framework articulating our activity to date and our aspirations and targets over the next five years, with some goals extending to 2030. We intend to continue to produce a standalone ESG Report annually to demonstrate our progress in this area. Our ESG Report is available in the 'About Us' section of the Company's website.

Diversity, equity and inclusion (DEI)

DEI is an important part of our long-term focus on shareholder value. We recognise how important our people are to our long-term success and our aim is to expand, celebrate and embrace individuality and diversity across our team. We know that building a diverse and inclusive culture which promotes our diverse backgrounds, skill sets and experiences will lead to a better business, a better place to work and, ultimately, will make the Group more valuable and effective overall. More information on how we are measuring and enhancing DEI throughout our Group can be found in the Group's ESG report, and the report from the Nomination Committee on page 54 of the governance report.

Task Force on Climate Related Disclosure (TCFD)

Across our Group we recognise the need to improve transparency around the climate-related risks that our organisation faces to help stakeholders and investors make informed decisions about our business. We have embraced the TCFD reporting framework and see this as an important tool in helping us understand the climate related risks and opportunities that we face and how we ensure these are fully integrated into our overall business strategy. In October 2021 we conducted a readiness review, evaluating our current practices against the 11 TCFD recommendations to ensure that any gaps were understood and actions are taken to allow all of the recommendations to be implemented in FY 22.

In November 2021 we conducted our first climate related risks and opportunities assessment utilising our current risk assessment framework to determine our resilience, considering different climate related scenarios. The results of the assessment are currently being reviewed but initial findings did not identify any of the risks to have a high likelihood of impacting the financial performance of the business over the different climate related scenarios. Future assessments will be fully integrated into our risk assessment process (see page 49) and mitigating actions implemented for any risks identified even if not considered to have a material impact on the financial performance of the Group.

Roadmap for The Pebble Group's introduction of TCFD reporting

Area	2021 Progress	2022 Priority
Governance	Development of a TCFD governance framework and reporting structure.	Review, refine and implement TCFD governance structure.
Strategy	Development of climate related scenarios and identification of climate related risks over the short, medium and long-term.	Ensure that any newly identified risks are considered against the Group's strategy and integrated into the ESG framework.
Risk management	Conducted a climate related risks and opportunities assessment, considering the identified climate related scenarios.	To fully integrate the climate related risks and opportunities assessment into the risk management framework.
Metrics and targets	Initiatives and targets identified as part of the ESG framework and detailed in our ESG report.	Review and refine to ensure that any identified climate related risks are included in updated initiatives, metrics and targets.

Our ESG progress in 2021.

Priority areas where good progress has been made:

Implementation of an energy reporting framework which allows data to be collected across the Group on its full Scope 1 and 2 emissions with a Scope 3 assessment planned in FY 22

Conducted our first gender pay review, which identified gaps and provided a benchmark for future annual reviews. Details of the review can be found in the ESG report

facilis cares

The Facilis Cares initiative supported two community projects

Implementation of carbon neutral distribution options for the delivery of goods to European clients

Continued developing products made from sustainable materials and giving back through community support projects

Approval of Group ESG policy

Formalised our Group DEI policy, building DEI principles into our Group Board appointment and succession planning processes. For further information please see the Nomination Committee update at page 54 of this report

Conducted DEI training through a third party to raise awareness and promote an inclusive environment for all team members

Full details of all of our 2021 projects and our progress can be found in our ESG report, which is available in the 'About Us' section of the Company's website.

Priority	Our aim	UN Sustainable Development Goals
Reducing our environmental impact	To reduce our impact on the environment through carbon reduction initiatives and the use of sustainable materials, alongside optimised logistics.	13 CLIMATE ACTION

Our direct impact on the environment is relatively low, but we take responsibility for monitoring and reducing energy use and emissions. Indirectly we are responsible for a larger amount of greenhouse gas emissions as a result of the goods and services provided, predominantly through our Brand Addition business.

To address our direct impact, we have set some ambitious internal targets of a 50% reduction in our Scope 1 and 2 emissions by 2030. Our efforts in 2021 focused on expanding our reporting framework to cover all the Group's global sites, enabling us to establish a base year calculation for the Group and more accurately measure our Scope 1 and 2 carbon emissions.

To meet our reduction targets, we aim to procure all our electricity from renewable sources where we are in direct control of where our energy supply originates. In 2021 we switched two of our sites to renewable electricity. We will continue making other site-specific changes, investing in LED lighting, replacing old equipment with more energy efficient alternatives, and utilising carbon neutral distribution options. We will also invest in carbon compensation schemes, as appropriate, to ensure that we achieve our reduction targets.

To address our indirect impact, and as part of our roadmap, we have committed to undertake a full Scope 3 evaluation in 2022, which we feel is an important step in understanding our indirect environmental impact. The findings from the evaluation will be reviewed and integrated into our Green House Gas (GHG) reporting, with additional targets being developed to monitor progress.

In 2021, our UK energy usage was similar to 2020, with a small reduction of 2% in our overall carbon emissions. Our full UK SECR disclosure can be found on page 83 of this report.

Our climate change journey and future plans

2004 - 2010

- ISO14001 Certification (Brand Addition Manchester)
- First Ecovadis assessment completed

2012 - 2013

- Energy monitoring and target setting (Brand Addition EU)
- First CDP Disclosure

2016 - 2019

- ISO50001 certification (Brand Addition EU)
- Brand Addition EU Base year defined
- 1% YOY energy reduction target

2020

- 27% reduction in energy usage compared to EU base year

2021

- Energy data reporting framework established
- 20% of sites switched to renewable electricity.

2021

- Defined Group emissions reduction target of 50% reduction of Scope 1 and Scope 2 emissions by 2030.

2022

- Scope 3 emissions evaluation.
- Expand the number of sites souring renewable energy
- Aim to launch carbon compensation scheme

The Future

- Annual energy and carbon reporting disclosures
- Expand the use of carbon neutral distribution options

Sustainability

Priority	Our aim	UN Sustainable Development Goals
Responsible sourcing and business practices	Strive to ensure that the products we source or the vendors we use prioritise the use of sustainable materials and have in place responsible business practices, respecting fundamental human rights.	

Across our Group we work with a large array of clients, Partners and suppliers to fulfil their requirements for promotional products. With Facilisgroup we are connecting Partners with Preferred Suppliers, and through Brand Addition working with clients to design, source, and deliver, millions of products to support consumer and corporate promotions .

Our Group has an opportunity not only to support our client base and ensure the goods they use in their promotional activities are sourced responsibly, but also to influence Preferred Suppliers to make changes in the way they source goods, helping them reduce their environmental impact and provide support for local communities.

By identifying innovative products and working with a responsible supply chain, we will see a positive impact on both the environment and local communities.

We expect high standards from the suppliers we work with and we continue to evolve, and improve, our vendor assessment process. We also aim to develop and implement a Group framework on conduct, ethics and compliance, to align our approach.

Ocean Bottle

In 2021 Brand Addition worked with 'Ocean Bottle'. A company wholly focused on ocean plastic collection. Every Ocean Bottle sold actively funds the collection of 11.4kg of plastic, equivalent to 1,000 plastic bottles through supporting collectors in coastal communities who are able to exchange the plastic for things they need.

Brand Addition introduced 'Ocean Bottle' into a number of its client stock ranges, helping to fund the collection of over 8.3 million plastic bottles, or 94,620 kg of ocean bound plastic.

Projects using sustainable materials, supporting local workers

Understanding where the materials used in products come from is an important part of the buying process. When sourcing goods our teams are always looking to partner with suppliers who can provide transparency, and are aligned with our responsible sourcing strategy.

In 2021, Brand Addition collaborated with a client on a project to source 48,000 t-shirts. By having a sustainable supply chain in place, the team was able to ensure that the product was manufactured using fair trade certified organic cotton, thereby supporting the circular economy and directly improving the livelihoods of 45 farming families in India.

Priority	Our aim	UN Sustainable Development Goals
Community support	To engage locally and make a positive impact, supporting our communities.	

Faciliscares

'Facilis Cares' is Facilisgroup's initiative to support community projects. Its mission is to give back to communities through services and donations. The initiative is supported by Preferred Suppliers and Partners and captures the collective spirit of the Facilisgroup community.

In July 2021, Facilisgroup hosted its Partner summit in Nashville, Tennessee. One of the commitments of the Facilis Cares initiative is to make a positive impact on any community they visit. Through the recommendations of two Nashville distributor Partners, Facilis Cares donated $12,320 to two organisations dedicated to helping youth projects. 'Gabe's Chemo Duck' programme, which supports children and families living with cancer, and the 'Stuff the Bus' programme which provides essential school supplies to students in need.

BizDash 5K

Brand Addition participated in the 'St. Louis BizDash 5k', a charity run through downtown St Louis. The BizDash provides an opportunity to celebrate our community while living a healthy, active lifestyle with the proceeds of the event donated to the St. Louis sports foundation, which promotes sportsmanship in the community and fosters a culture of kindness, respect, civility, and selflessness.

Pride 2021

Supporting PRIDE month, showing our support to the diverse LGBTQ+ community. The Brand Addition Europe and U.S. teams created and sold t-shirts with the proceeds of $750 benefiting Stonewall in the UK, and the Trevor Project in the U.S.

Sustainability

Priority	Our aim	UN Sustainable Development Goals
Training, development and engagement	To support ongoing development through training and industry engagement with our employees and stakeholders.	8 DECENT WORK AND ECONOMIC GROWTH

Ensuring our teams receive the correct training is important to our long-term success. Our employees are key to our success and we must ensure they have the skills to perform their roles to the best of their abilities. All new team members undergo an intensive induction process introducing them to the promotional products industry to ensure they have a sound understanding of how the business operates. The induction process not only serves as training for the role but to engage new team members in our culture so they can quickly feel part of the wider team. Ongoing training and development needs are highlighted through the appraisal process to support employee growth and development.

Building and strengthening the Facilisgroup community

In May 2021, twelve new employees underwent a three-week training programme to provide an in depth look at the world of promotional products, distributors, suppliers, and technology, allowing them to have a heightened understanding of services and value provided to our Facilisgroup Partners.

The programme consisted of a combination of on-site visits, classroom activities and virtual learning, which resulted in the employees receiving the PPAI Trained Advertising Specialist (TAS) certification, and beneficial knowledge of the promotional products industry.

Stakeholder engagement

Engaging with clients, Partners and Preferred Suppliers to understand their needs is important to the long-term growth and success of our business. It allows us to build trust, forge long lasting relationships and take a pro-active approach to understanding their needs. How we engage with shareholders is detailed in the Stakeholder Engagement section on pages 18-21.

In June, over 200 industry professionals met in Nashville, Tennessee, for the first Facilisgroup Partner Summit in two years dedicated to industry education, innovation, collaboration, and engagement.

The summit provided an opportunity for industry professionals to engage and share how challenges during the pandemic were faced, and overcome. The summit was themed 'Change purposefully' providing a positive reminder that change can be good and transformative. Education sessions focused on customer journey, profitability, expanded services, and supply chain. The Summit provided Partners with an opportunity to renew old relationships and forge new ones.

Priority	Our aim	UN Sustainable Development Goals
Health, safety and well-being	To provide a safe and inclusive place to work, promoting a positive attitude towards mental health and well-being.	3 GOOD HEALTH AND WELL-BEING

Our Group is focused on providing a safe working environment for all our employees that promotes a healthy work–life balance, and supports a positive attitude towards mental health and well-being. We strongly believe that supporting our employees, and helping to ensure they are in good health, enables everyone to perform better.

Each site has its own health and safety team who meet regularly to discuss any local actions or findings from risk assessments and health and safety walkarounds. In FY 21, there were no reportable health and safety incidents. Health and safety is a standing agenda item at each Group Board meeting where reports for each business are tabled and noted.

In 2021, as part of our strategic development plan 'ba.ONE sustainability and growth, individuals were recruited across the Brand Addition business to become well-being champions. Their role was to support colleagues with initiatives to promote a healthy body and mind and to implement new well-being programmes.

The 'ba.Well-being programme' launched in mid-2021, offering nine subsidised benefits aimed at improving mental health and well-being. Since launching, the scheme has been very successful with great feedback from our teams. 'ba.Support' was also launched in 2021 and comprises a small group of volunteers across the business who have offered to help colleagues who may benefit from additional support.

Aligning our approach and following recognised standards

Ecovadis

Our Brand Addition business retained its Platinum status and improved the overall score from its annual EcoVadis assessment, which positions the business within the top 1% of similar companies in their approach to sustainability. The assessment reviewed the approach of four key areas (Environment, Labour & Human Rights, Ethics & Sustainable Procurement) and how the business addresses these areas including any actions to minimise their overall impact on the environment. EcoVadis provides an independent, trusted, common platform for evaluating and rating more than 65,000 groups and companies across 200 industries in 160 countries using CSR assessment criteria based on recognised sustainability standards.

Carbon Disclosure Project (CDP)

Brand Addition makes an annual submission to the Carbon Disclosure Project (CDP) declaring its annual carbon emissions progress against its reduction targets. Its declaration also supports the Scope 3 emission tracking for clients linked to CDP. In the most recent assessment Brand Addition received a 'C' rating.

CDP runs the global environmental disclosure system. CDP supports thousands of companies, to measure and manage their risks and opportunities on climate change, water security, and deforestation.

ISO management systems

Across the Group we have effective management systems in place that are annually audited by SGS to ensure continued certification against globally recognised standards. Our Brand Addition business holds ISO9001 across its UK sites, ISO14001 at its Manchester site and ISO50001 across its Manchester, London, and Hagen sites.

Key performance indicators

Measuring our performance.

One of our values:

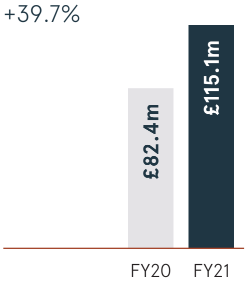
Ambitious in our commitment to achieving positive results with sustainable impact.

Group

REVENUE

£115.1m

+39.7%



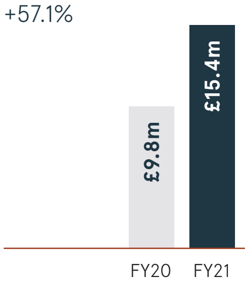
Why we measure it
Year-on-year growth in revenue indicates progress against both short-term plans and long-term strategy.

Comment
The increase in revenue in FY 21 reflects the growth in Facilisgroup ARR and the recovery of Brand Addition.

ADJUSTED EBITDA[1]

£15.4m

+57.1%



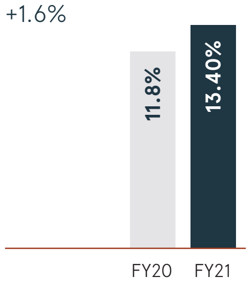
Why we measure it
Year-on-year growth in Adjusted EBITDA indicates progress against both short-term plans and long-term strategy. Management believes this adjusted measure is more appropriate in understanding the underlying trading performance of the business.

Comment
The increase in Adjusted EBITDA in 2021 reflects the revenue growth and the return of a normalized cost base.

RETURN ON REVENUE

13.40%

+1.6%



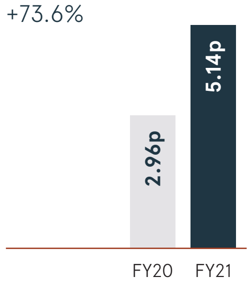
Why we measure it
Return on revenue, calculated as Adjusted EBITDA as a percentage of revenue, is an important measure for the Group in illustrating its ability to grow revenue profitably whilst maintaining control over its margins and costs.

Comment
The Group increase of 1.6% reflects the recovery of the Brand Addition division in FY 21.

BASIC ADJUSTED EPS[2]

5.14p

+73.6%



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

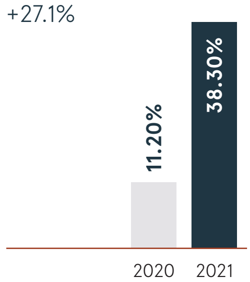
Comment
Adjusted earnings per share is profit after tax before amortisation of acquired intangibles, share-based payments charge, and exceptional items divided by the weighted average number of shares in issue.

Adjusted Basic earnings per share were 5.14p against 2.96p in 2020, reflecting the increased profitability of the Group.

ADJUSTED OPERATING CASH FLOW CONVERSION

38.3%

+27.1%



Why we measure it
This metric measures the Group's ability to turn profit into cash. It is monitored to ensure it remains strong, whilst maintaining the level of investment in capital expenditure required to support the Group's medium-term growth plans.

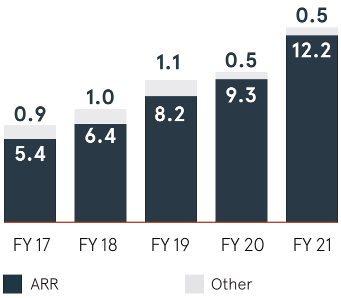
Comment
The improvement in the year is due to increased Group profitability with some investment in working capital to support sales growth in Brand Addition.

1 Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, amortisation, share based payments charge and exceptional items

2 Basic adjusted EPS is calculated as 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

Recurring revenues – High visibility of recurring revenues with a growing customer base

REVENUES £'m



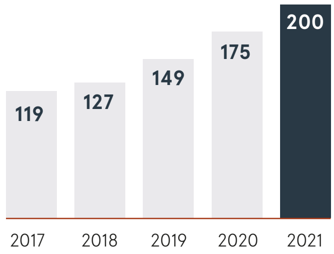
Why we measure it

Tracking recurring revenues provides excellent visibility of future revenue performance.

Comment

Recurring revenues increased by 30% GBP (40% in home currency of USD) in FY 21, driven by the increase in Partner numbers and GMV growth. Recurring revenues comprise 96% of Facilisgroup revenues in FY 21, which is consistent with FY 20.

PARTNER NUMBERS



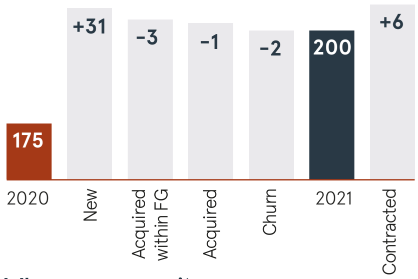
Why we measure it

Responsibly increasing Partner numbers whilst maintaining Partner quality is key to delivery of the Facilisgroup strategy. The engagement of existing Partners and the pipeline of potential new Partners are tracked on a monthly basis to demonstrate progress against this target.

Comment

Partners implemented, increased to 200, plus six awaiting implementation. This is compared to our milestone target of 205 Partners at the end of 2021.

PARTNER BRIDGE



Why we measure it

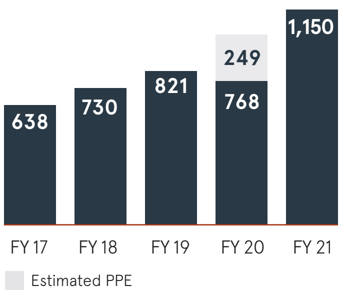
Understanding Partner attrition and the underlying reasons for it, is key to our Partner growth strategy. Alongside our ambitious targets for winning new Partners, we focus on minimising attrition.

Comment

Retention rates have been impacted this year by higher levels of M&A activity within the Partner group. Despite this, retention rates remain strong at 98%.

Partner activity – High quality Partners under long-term relationships

GROSS MERCHANDISE VALUE $'m



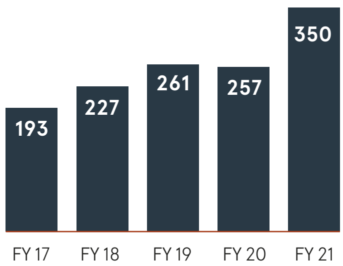
Why we measure it

Tracking the value of sales processed through our technology sets the pricing of our services to our Partners and allows the Group to monitor both the growth in like-for-like Partner sales, and also overall growth in total distributor sales.

Comment

The sales activity of our Partners resulted in $1,150m GMV, an increase of $133m on FY 20, and ahead of our $1.100m milestone target.

PREFERRED SUPPLIER PURCHASES $'m



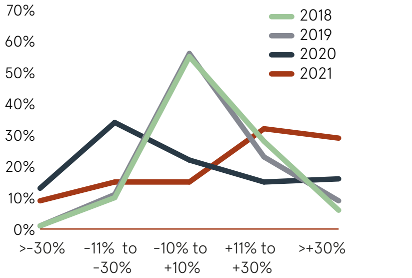
Why we measure it

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

Comment

Spend through Preferred Suppliers increased in FY 21. As a percentage of GMV this was consistent with FY 20, lower than historically, driven by the swing towards PPE orders through non-Preferred Suppliers in Q2.

PERCENTAGE OF PARTNERS BY GMV GROWTH %



Why we measure it

Understanding the sales performance of our Partners is an indication of our Partner's strength.

Comment

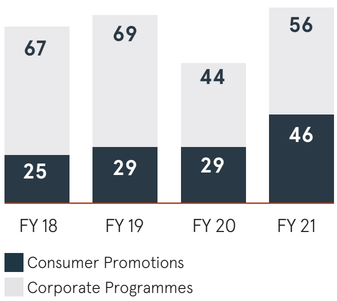
The impact of the pandemic on Partner GMV growth was evident in FY 20 and subsequent recovery in FY 21, is evident in the unusual spreads seen across those years.

Key performance indicators

Group companies
Brand Addition

Revenue analysis – Win, Grow, Retain, Repeat

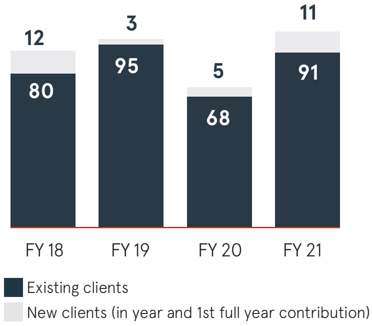
REVENUE BY SERVICE TO CLIENTS £'m



Why we measure it
Brand Addition revenues can be categorised into two distinct divisions; Consumer Promotions that support our clients in driving their own sales targets, and Corporate Programmes that support our clients' general marketing activities. These divisions can respond differently to market conditions and therefore analysing the revenue split is important.

Comment
Revenue increased during FY 21 across both divisions. Consumer Promotions increase driven by incremental activity across key clients. Corporate Programmes growth reflects some post pandemic recovery of existing clients combined with new client wins.

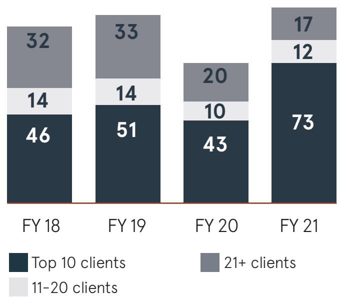
REVENUE BY EXISTING AND NEW CLIENTS £'m



Why we measure it
Brand Addition has excellent levels of client retention providing the business with good visibility of revenues and informs the view of future performance. Retaining and growing existing clients, while successfully implementing new business is fundamental to its growth strategy.

Comment
Growth in revenue from existing clients represents recovery in underlying Corporate Programme clients combined with the incremental Consumer Promotions activity. FY 21 was also a strong year for new business, including significant new corporate clients contracted in FY 20 and fully implemented through FY 21.

REVENUE BY CLIENT CONCENTRATION £'m

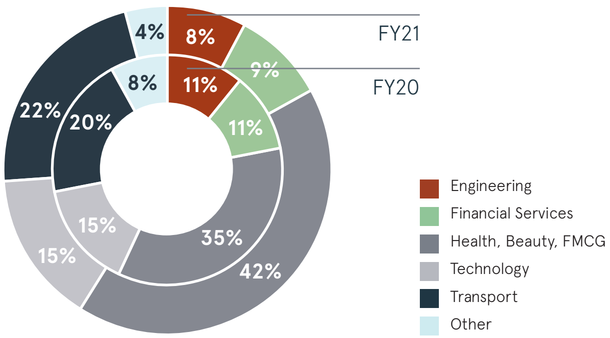


Why we measure it
Brand Addition tracks revenue by client concentration as continued success of these larger clients is central to delivering on our strategy of Win, Grow, Retain, Repeat.

Comment
The top 10 clients contributed 71.6% of total revenue in FY 21 (58.9% in FY 20). Our focus on attracting and growing global contracts, combined with slower post pandemic recovery in some of our smaller clients, has led to our top 10 clients growing as a percentage of overall revenues.

Revenue diversity – Strong sectors across multiple geographies

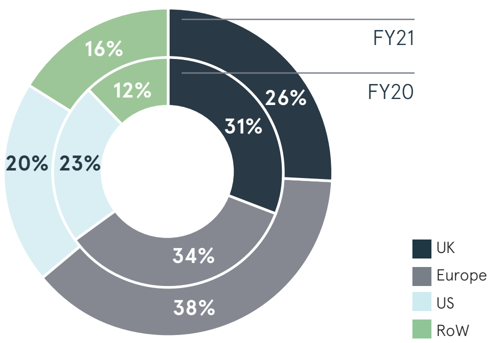
REVENUE BY CLIENT SECTOR %



Why we measure it
Brand Addition works with clients across a wide range of sectors. This level of diversity provides protection against economic or regulatory factors which may impact specific sectors.

Comment
Clients in the health and beauty sector contributed 42% of revenue in FY 21 (35% in FY 20). These clients operate in the Consumer Promotions division and have contributed significantly to the growth of this division. There was strong diversity across other sectors.

REVENUE BY DESTINATION %



Why we measure it
Brand Addition has a global client base and is well diversified across the world, providing resilience to market conditions that could affect specific geographies.

Comment
Sales into Europe increased relative to FY 20, driven by recovery of Corporate Programme clients and significant new clients operating predominantly in Europe.

Chief Financial Officer's review

£'m	FY 21	FY 20	Variance
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.

Chief Financial Officer's review

£'m	2021	2020	Variance
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.

£'m	2021	2020	Variance
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:

£'m	2021	2020	Variance
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**

Chief Financial Officer's review

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 remuneration. These APM's are not defined under IFRS and, therefore, may not be directly comparable with adjusted measures presented by other companies. The non-GAAP measures are not intended to be a substitute for or superior to any IFRS measures of performance. However, they are considered by management to be important measures used in the business for assessing performance.

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

Managing our key risks and uncertainties.

One of our values:

Enjoying the journey in a culture of integrity, transparency and fairness, where we are proud of our past and excited by our future.

The Group Board is ultimately responsible for setting and approving risk appetite and ensuring that the Group maintains a sound risk management and internal control framework.

Risk management and internal control framework

The Audit Committee

The Group Board delegates responsibility to the Audit Committee to discuss and review the Group's risk profile and risk register twice per year. The Committee looks at the nature and extent of principal risks and uncertainties faced by the Group in the context of achieving its strategic objectives and ensures that all have been appropriately identified. The Committee also reviews the mitigating actions and controls in place in respect of these risks and any related opportunities. At these meetings, the Audit Committee also carries out a review of internal controls and receives reports from the Group's management on the effectiveness and integrity of the Group's internal control and risk management systems. The Audit Committee is also kept up to date by the Group CFO and the Group Financial Controller on progress against the Group's internal audit and risk plan and, on an annual basis, it considers whether there is a need for a separate internal audit function. When satisfied, the Audit Committee approves the Group's risk register and internal controls and recommends to the Group Board for approval.

Group Executive Committee and Operating Boards

Risk monitoring and identification is an ongoing iterative process to facilitate the early identification and escalation of risks and the Group has strong governance and communication structures in place which ensure risks are actively managed and mitigated.

The Group Executive Committee includes 'Risk Management and Compliance' as a monthly standing agenda item for discussion between the Executive Directors, the Divisional Leads of each of Facilisgroup and Brand Addition and the other senior executives on the Committee. This includes escalation by the Divisional Leads of any risks or potential risks that have occurred since the previous meeting and discussion and review of any required amendments to internal controls. Risk and compliance related policies and procedures are also reviewed and discussed in that forum prior to presentation to the Audit Committee and/or Group Board for annual approval.

The Operating Boards of Facilisgroup and Brand Addition meet monthly and maintain their own risk registers which are reviewed and reconciled against the Group's risk register twice per year in advance of review by the Audit Committee, as described above. Risk management has always formed part of Operating Board meetings, however in 2022 'Risk Management' has become a formal standing agenda item at each Operating Board meeting, where the lead for each key function addresses the significant risks relevant to their areas, including potential horizon risks and those identified below.

Through this risk management framework, the Group Board drives effective risk management practices and processes that in turn drive effective decision-making at all levels of the Group:

Risk Management Framework

Risk Management

Evolution of the risk management framework

Across the Group we continue to review and evolve our risk management framework to ensure it reflects best practice. In Q1 22, we sought external support and advice to validate the Group's risk register approach and we have taken steps to implement the recommendations made, which include making a clearer distinction between controls and action plans in our risk mitigation reporting and the introduction of formal risk horizon scanning.

We have also taken initial steps to evolve our framework to align with the Task Force on Climate-related Financial Disclosure (TCFD) reporting requirements and we plan to incorporate the TCFD recommendations during 2022. These include the evaluation of physical and transitional climate related risks over the short, medium and long-term, considering different climate related scenarios. Further information can be found on page 31 in the ESG section of this report.

Key risks

The items referred to below are regarded as the key risks for the Group. These are not the only risks that could affect Group performance but, in the opinion of the Group Board, are those which are currently the most significant and specific to the Group's business.

Market risks

Risk and potential impacts | Mitigating activities

Pandemic related disruption

Risk and potential impacts

Due to a variety of external factors including a successful global vaccine rollout, easing of Government restrictions, improved customer confidence and improved wider trading conditions, the impact of the COVID-19 pandemic on the Brand Addition business was reduced in 2021.

Nevertheless, in the longer term, the Group must continue to be prepared for the potential impact of any new pandemic outbreaks. These factors pose a risk to demand for the Group's products and services, which could impact its ability to meet revenue and Adjusted EBITDA targets.

Mitigating activities

The Group took swift action during 2020 in response to the pandemic, managing its flexible cost base to remain profitable and cash generative.

In 2021, the Group's differentiated positions in the industry and established client and Partner relationships enabled it to deliver an immediate return to growth post the impact of pandemic disruption.

The strength and robustness of the growing Facilisgroup subscription based technology platform continued during the year. Added to this, at Brand Addition there was a full and immediate return to 2019 sales levels from its strong client base that is diverse, both geographically and from a sector perspective.

The Group has a strong balance sheet, effective working capital disciplines, is cash generative and has access to a £10m revolving credit facility. Having successfully navigated through this difficult period, the Group Board is confident in the Group's ability to deal with any continued disruptions from COVID-19 and in the long-term prospects for the business.

Change to risk
No change

Macroeconomic environment

Risk and potential impacts

The ongoing impact of the pandemic on the macroeconomic environment, including demand and supply chain disruption, continues to pose a risk of a global economic downturn. Such downturn could impact on demand for the Group's products and services and on Brand Addition's gross margins, thereby affecting the Group's ability to meet its revenue and EBITDA targets.

However, in assessing this risk, we must consider the current conflict in Ukraine and the resulting sanctions imposed on Russia by governments worldwide. These circumstances heighten the risk of a global economic downturn and we have increased our assessment of this risk accordingly.

Mitigating activities

The Group has proved its ability to maintain profitability and cash generation from reduced demand caused by the COVID-19 pandemic.

In the event of an economic downturn, the subscription-based technology platform in Facilisgroup insulates this business from any initial shock, and revenues in the year of impact would be largely unaffected. The diversification of Brand Addition revenues across geographies and sectors provides some protection against the impact of a reduction in demand and the flexibility of the operating model below gross margin gives the business the ability to protect profits. Both businesses are highly cash generative with the underlying client base in Brand Addition resulting in a high-quality balance sheet.

Change to risk
Increased

Strategic

Risk and potential impacts	Mitigating activities

Concentrated client base

Brand Addition's core strategy is to win, grow, and retain multi-country out-sourced contracts, as further detailed in on page 17 of this report.

However, Brand Addition has a relatively small number of key clients and in FY 21 generated 71.6% of Group revenue from the top 10 clients. A loss, or significant reduction, in activity from one of our major clients could materially affect the Group's ability to meet its revenue and Adjusted EBITDA targets.

The acquisition of Facilisgroup in December 2018, which has a diversified customer base and in FY 21 represented 57% of Group Adjusted EBITDA, means that the impact of the loss of a key Brand Addition client on Group Adjusted EBITDA is much reduced.

In addition, delivering on the strategic objective of the Brand Addition business to grow through new client acquisition means the Group Adjusted EBITDA impact of any one client would be further diluted.

Change to risk
No change

Acquisition risk

As further detailed in page 17 of this report, the Group's core strategy is to selectively pursue acquisition opportunities to create excellent shareholder value and to support its organic growth and development in the long-term.

The Group has a track record of achieving growth through acquisition. However, any future acquisition could give rise to unforeseen risks for the Group, such as loss of key clients or key personnel, complex and extended integration processes absorbing significant amounts of senior management time or unforeseen liabilities. A poorly implemented acquisition could have a damaging impact on the Group's financial position and reputation.

The Group takes great care in identifying potential acquisition targets, which are typically businesses with whom senior management have an existing relationship.

All proposed acquisition targets are subject to robust due diligence using internal teams with extensive industry experience, supported by external advisors where the Group does not have the specialist in-house skills.

Change to risk
No change

Financial

Risk and potential impacts	Mitigating activities

Currency and foreign exchange

Facilisgroup provides its technology to SME distributors in North America and Brand Addition services multi-country out-sourced contracts with leading brands.

A proportion of the Group's revenue is therefore denominated in foreign currency, principally US Dollar and Euro, while the Group's reporting currency is pound sterling. The Group is, therefore, exposed to the risk that adverse exchange rate movements could cause its costs to increase (relative to its reporting currency) and could result in reduced profitability.

Where it is considered appropriate, the Group uses hedges to reduce exposure to currency risk, however these may not always be effective and there may be some residual currency risk.

Change to risk
No change

Risk Management

Operational

Risk and potential impacts	Mitigating activities
Retaining and attracting key personnel Attracting and retaining experienced and appropriately skilled personnel is critical to achieving our organic growth plans (set out on page 17 of this report). Not having the right people and skills within the business could impact on the Group's ability to service our clients and grow the business. Inflationary pressures on salaries across the globe, combined with a shortage of skilled personnel in the labour market, means higher wage expectations amongst existing and future personnel.	We value our people highly, invest across our Group in their development and support them in achieving their potential. We continually develop and invest in our highly talented and dedicated people in order to maintain an engaged workforce, as explained further in the Stakeholder Engagement section of this report on pages 18-21. We offer competitive compensation packages that are reviewed regularly and we routinely survey our employees to monitor employee engagement levels and identify opportunities for further improvement. Attrition rates across sites and geographies are monitored monthly to enable mitigating actions to be taken quickly if necessary. **Change to risk** Increased
Reliance on IT systems The Group's activities are reliant on the effective operation of its IT platforms and infrastructure. In the event of an incident, the Group would initiate its business continuity and disaster recovery procedures. However, prolonged disruption could impact the Group's ability to hit revenue and EBITDA targets.	The Group has an experienced and dedicated IT team with support from external consultants where necessary. Disaster recovery and business continuity procedures are monitored and updated regularly by both the IT and operations teams. **Change to risk** No change
Breach of IT security or cyber-attack IT Security breaches, computer malware and other cyber-attacks could result in a loss of business for the Group. Such incidents may give rise to a potential liability through litigation and damage the Group's reputation with clients, resulting in a loss of goodwill. Generally, reported incidences of cyber-attacks targeted at businesses are becoming more frequent and of greater scale and sophistication.	The Group implements a robust testing process on systems and software that includes external penetration testing by software consultants. Disaster recovery plans have been developed to respond to such incidents to ensure the business is able to recover with limited interruption should an incident arise. The Group has crisis management procedures in place to help us deal with any IT security incident efficiently. **Change to risk** Increased

Operational

Risk and potential impacts

Climate change

Climate change presents a range of risks to the business.

Risks of extreme weather events such as floods, droughts and storms could potentially affect the Group's infrastructure and operations and also that of its supply chain. The transition to a low-carbon economy could also impact the Group's supply chain and it may be exposed to increased operational and distribution costs related to mitigation efforts, increased regulatory compliance and carbon taxes.

It may also face increased product costs from suppliers due to higher input costs and regulatory compliance.

Customer preferences and concerns will increase demand for wider ranges of low-carbon, sustainable products, services and delivery options that may be difficult to identify, source and arrange. This could negatively impact customer demand, retention and the Group's revenues. In addition, the increasing demand of all stakeholders to undertake meaningful activity to address climate change is likely to result in increased exposure to the risk of reputational damage, and client and employee retention issues, if the Group is not perceived to be engaging effectively with this challenge.

These risks are further analysed in our annual ESG report, which is on the Company's website.

Mitigating activities

The Group is committed to addressing meaningfully the challenges we all face in tackling climate change.

One of our four ESG pillars specifically focuses on minimising our impact on the environment and supporting the fight to tackle climate change. Our actions and commitments are set out in the ESG section of this report on pages 26-37 and also in our annual ESG report, which is on the Company's website.

Whilst climate change does not pose a significant risk to our business, we recognise our duty to minimise our impact and the importance of climate change to our key stakeholder groups (as referred in our Section 172(1) statement on pages 22-25).

Clients supported by Brand Addition in particular have been demanding sustainable products for a number of years. The business has embraced and welcomed this change, using its creative team, established and emerging supply chains to source products that meet the high standards expected by our clients and their own commitments to ESG. This is a key area of differentiation for the business and we are actively developing our offering and services to meet increasing ESG standards.

The risk of supply chain disruption is minimised through the Group's diverse supply chain so that it can quickly adapt. The Group also maintains alternative supplier relationships for each key product category. In addition, through the Brand Addition direct supply chain, where the supplier evaluation process identifies a heightened risk of disruption due to natural disasters and/or political or social unrest, then an alternative supplier would be identified where the level of risk was considered more acceptable.

Addressing the challenge of reducing our carbon emissions, the Group has developed a framework for energy and carbon reporting to provide visibility of our direct Scope 1 and 2 emissions globally, and is embarking on an exercise in 2022 to calculate its indirect (Scope 3) emissions. Targets have been set and further reduction plans are currently being developed, along with utilising carbon compensation schemes, to reduce carbon emissions. One of the projects already underway has seen our Brand Addition logistics team working with key logistics partners to identify carbon neutral distribution opportunities to provide our clients with these alternatives when selecting delivery options for their goods.

Change to risk
No change

The Strategic Report, which includes the Chair's report, the CEO's review, the business model and strategy, the Group financial review and the principal risks and uncertainties, was approved by the Group Board and signed on its behalf by:

Christopher Lee
CEO
22 March 2022

Chair's Introduction to Governance

Committed to effective corporate governance.

Governance Highlights

- Further development of Group policies
- Introduction of formal DEI policy and initiatives
- Strengthening of formal succession planning, Board appointment process and talent pipeline management
- Enhanced reporting and flow of governance information
- External validation of approach to risk monitoring and assessment
- Preliminary alignment with TCFD

One of our values:

Learning and growing knowing there is always progress to be made.

The Group Board is committed to effective corporate governance. We see the principles of good governance not just as a set of guidelines, but as a real basis for making us a better business with strong internal controls that deliver long-term value and meets stakeholder expectations around leadership and oversight. As Chair of the Group Board, I am responsible for corporate governance within the Group, and I work with our Board and Group General Counsel & Company Secretary to build upon and enhance our sound corporate governance grounding.

This involves reviewing the continued effective operation of the Group Board and its Committees and their oversight of the Group's businesses, updating our governance framework and our approach where necessary or desirable in response to: (i) changes in our businesses as we grow; (ii) changes in official standards; (iii) developments in best practice guidance; and (iv) our stakeholders' expectations.

In doing this, we are focused on ensuring that the new policies or practices we introduce are not only aligned with best practice but are designed in a meaningful way to fit with our culture and way of working. During 2021, this included Board time dedicated to: developing or formalising Group policies and Board processes; reviewing the quality of contribution, debate and decision-making at Board and Committee meetings; developing or formalising the Company's approach to, and processes around, specific governance initiatives (for example DEI, succession planning and talent pipeline development); reviewing Board and Committee terms of reference; and, enhancing the reporting and flow of information from Facilisgroup and Brand Addition up to the Group Board through the appropriate forums.

One of our values:

Enjoying the journey in a culture of integrity, transparency and fairness, where we are proud of our past and excited by our future.

Our Group Board members have extensive experience and are professionally active in roles other than at The Pebble Group. They are provided with a monthly '*Boardroom Briefing*' covering a range of corporate governance issues, such as: reports on corporate culture; recent cases on directors and their responsibilities; and updates on executive remuneration, ESG or climate related issues and disclosure requirements. The Group Board is also given the opportunity to keep in touch with relevant developments through appropriate seminars and formal external training courses to ensure the continued development of knowledge, skill and capability. Fostering a culture of continuous improvement is important to me and I will lead in personal development though my own participation in training and continued professional development.

In the year, the Group formalised and published its values, included in which is our corporate governance strategy centred around ensuring that our operations are conducted with integrity, transparency and fairness.

We are proud of the work we have done to enhance our governance and risk management processes and our commitment to continuing to evolve these brings excitement for our future. You can find more about our values on the inside front cover.

As a Board we aim to lead by example, be authentic, embrace our values and create an open and honest environment, because we believe this establishes and evolves effective risk management and effective decision-making at all levels of our organisation. The Group Board sees this as a key differentiator and has observed how this serves to build trust with our clients and suppliers and allows us to retain high-performing staff.

In adhering to these principles, the Company has applied the *Corporate Governance Code for Small and Mid-Size Quoted Companies 2018* published by the Quoted Companies Alliance (the '**QCA Code**') and I believe that we are in full compliance with this, which serves to mitigate and minimise risk and add value to our businesses.

This section of the Annual Report and Accounts outlines how we have applied the principles of the QCA code during the year and we take the opportunity to share with you the many initiatives and activities that took place during 2021 to ensure a strong and open dialogue with our shareholders, particularly around how the Company is performing, to ensure that the Group Board remains a well-functioning and balanced team, and to enhance our governance structures to ensure that they remain fit for purpose and support good decision-making by the Group Board and its Committees.

We will continue to review and update our governance framework and our approach as the Company continues to grow and will update the Corporate Governance statement in the AIM rule 26 section of the Company's website. Additional information is contained in our Section 172(1) statement on pages 22-25.

Richard Law
Chair
22 March 2022

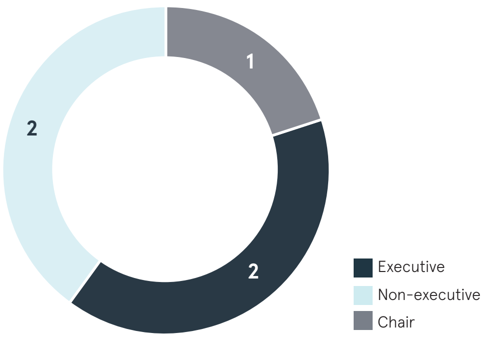
Our Governance Structure

Group Board structure and composition

My role as Chair of the Group Board is to be separate to, and independent of, the Chief Executive and each of us has clearly defined responsibilities. These, along with the terms of reference for all the Committees of the Group Board, can be found on the Investors section of the Company's website.

The Group Board comprises five Directors, two Executive Directors being Christopher Lee and Claire Thomson and three independent Non-executive Directors being myself, Yvonne Monaghan and Stuart Warriner. The Group Board believes that this combination ensures a clear balance of responsibilities between the executive and the non-executive functions, and that no individual (or small group of individuals) can dominate the Group Board's decision- making.

GROUP BOARD COMPOSITION



Operating Boards and Group Executive Committee structure and composition

The Group is organised so that each business has an established Operating Board which meets monthly with its own standing agenda, which includes business updates from the heads of all key functions. Each Operating Board has a 'Divisional Lead' which is Ashley McCune (President, Facilisgroup) and Karl Whiteside (Group MD, Brand Addition), further details of whom can be found in the senior executives' biographies on page 66. Each Divisional Lead, together with other key members of their Operating Boards, report to the CEO on trading and performance through Executive Monthly Meetings, and also through the Divisional Lead's membership of the Group Executive Committee.

The Group Executive Committee is made up of the Executive Directors of the Company, the Divisional Lead for each of Facilisgroup and Brand Addition, the Group Financial Controller, the Group Senior ESG Officer and the Group General Counsel & Company Secretary. It meets monthly, has its own terms of reference in place and facilitates business updates, reporting, ESG, risk and compliance matters, and the flow of information throughout the Group to ensure the alignment of culture, business ethics and standards and consistent good governance across divisions.

The Operating Boards typically meet prior to the Group Executive Committee meetings, which is before the Group Board meetings and enables the Executive Directors to provide the most up to date information possible to the members of the Group Board.

ESG governance

The Group Board sets and approves Group ESG strategy and reviews and approves the Group's ESG report on an annual basis, following consultation with the Group Senior ESG Officer and Group General Counsel & Company Secretary. The Group Board reviews progress against ESG strategy every six months as part of the Group Board's strategy review meeting.

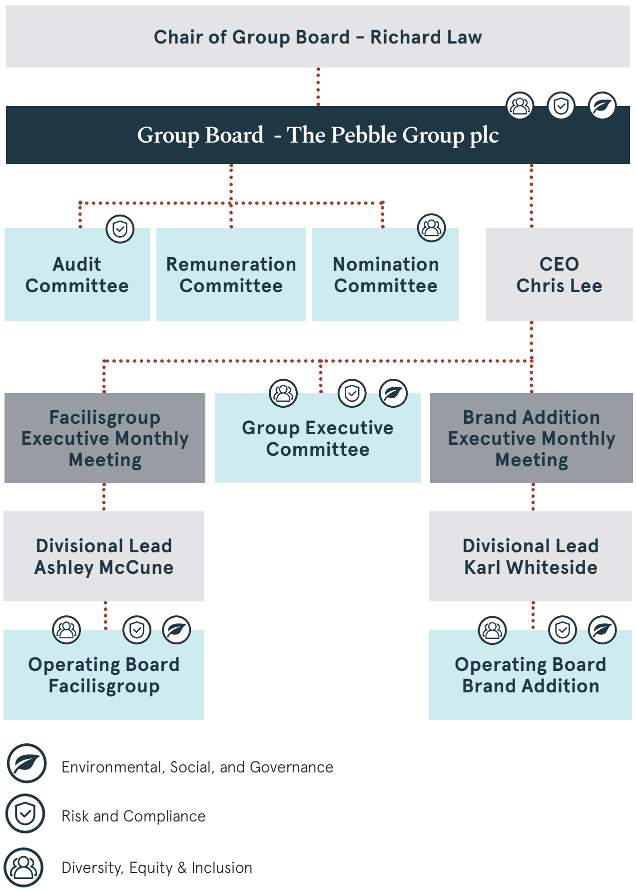
The Group Executive Committee includes an ESG update as a monthly standing agenda item and ensures regular communication and discussion of ESG strategy and progress with the Divisional Leads and other members of the Committee.

Facilisgroup and Brand Addition each have their own ESG Committee or senior leader in place with responsibility for implementing the Group's strategy and approach to ESG. They meet with the Group Senior ESG Officer on at least a quarterly basis for guidance, to provide updates and to ensure alignment with, and progress against, Group ESG strategy.

ESG governance will be reviewed as part of the Group's alignment with TCFD reporting requirements during 2022. For information on this, please see page 31 of the ESG section of this report.

Through this governance structure, the Group Board perpetuates an open, honest environment and its view of the right ethical culture, to drive effective risk management, governance practices and processes and effective decision-making at all levels of the Group:

Our Governance Structure



Group Board Committees

The Audit Committee

The Audit Committee, chaired by Yvonne Monaghan, has primary responsibility for monitoring the integrity of the financial statements of the Group and the scope, adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems, to ensure that the financial performance and prospects of the Group are properly measured and reported on. The Audit Committee receives reports from the Group's management and external auditor, PricewaterhouseCoopers LLP (PwC), relating to the annual accounts and the accounting and internal control environment in operation throughout the Group. The Audit Committee determines and reviews the Group's risk profile, including the nature and extent of significant risks that the Group is willing to take in achieving its strategic objectives. Additional information on risk profile can be found on page 45-49 . The Audit Committee also provides channels of communication between the external auditor and the Non-executive Directors. It reviews the performance of the external auditor and makes recommendations to the Group Board in relation to their re¬appointment. The Audit Committee reports to the Group Board on all these matters and typically meets three times in each financial year. It met three times during 2021. Richard Law and Stuart Warriner are the other members of the Audit Committee. Further information can be found in the Audit Committee Report on pages 67-70.

The Remuneration Committee

The Remuneration Committee, chaired by Stuart Warriner, has primary responsibility to review the performance of the Executive Directors and determine their total individual remuneration packages (including on the granting of share options) to ensure that they are, in a fair and responsible manner, rewarded for their individual contributions to the Group's overall performance. The Remuneration Committee also reviews the performance of other senior executives and monitors and makes recommendations to the Group Board on the level and structure of their remuneration. The Remuneration Committee will retain, as necessary, external remuneration consultants in support of its responsibilities. The Remuneration Committee reports to the Group Board on all these matters and will meet as and when necessary, but typically four times in each financial year. It met four times in 2021. In exercising this role, the members of the Remuneration Committee have regard to QCA Code recommendations and, where appropriate, the QCA Remuneration Committee Guide. The remuneration of Non-executive Directors is a matter for the Chair and the Executive Directors and no director shall be involved in any decisions as to his or her own remuneration. Richard Law and Yvonne Monaghan are the other members of the Remuneration Committee. Further information can be found in the Remuneration Committee Report on pages 71-79.

The Nomination Committee

As the Nomination Committee does not produce a separate report, the significant matters considered since the 2020 Annual Report and Accounts are summarised here:

(i) We discussed and introduced a formal Group policy on Diversity, Equity and Inclusion (DEI) which the Committee recommended to the Group Board for approval in October 2021. The DEI policy promotes diversity of ethnicity, gender, age, disability, education and socio-economic backgrounds and sexual orientation. It also recognises diversity of personal attributes as having equal importance and aims to build teams that consists of individuals who have a range of cognitive and personal strengths. The DEI policy commitments include the appointment of an Executive Sponsor for all DEI issues in each business to ensure that DEI remains a firm priority on the agenda and is taken account of in all appropriate situations and decision-making. As Chair of the Nomination Committee, I am taking an active role in setting and meeting diversity objectives and strategies in each business by including a commitment in the DEI policy to meet annually with Executive Sponsors to discuss DEI initiatives, ensure we have clear objectives and to monitor DEI progress. Further the Group Board will each year take a retrospective look back over the preceding 12 months and ask itself the question, *"How has our commitment to DEI advanced over the year?"*

The DEI policy was approved by the Group Board in November 2021. An aim for the Nomination Committee during 2022 is to develop and encourage reporting on the policy, its objectives and linkage to Group strategy, then work on how to formally monitor how the policy is being implemented and progress on achieving its objectives.

(ii) Enhancement of the Group Board appointment process for the recruitment of new Directors into a formal, rigorous and transparent six steps process that is designed to work hand-in-hand with the DEI policy. It involves identification of business needs, profile establishment, search, selection and nomination, followed by appointment and formal induction. The Committee recommended the Group Board appointment process to the Group Board and it was approved in November 2021.

(iii) Introduction of a formal approach to succession planning, designed to work hand-in-hand with the DEI policy and to establish a process for ensuring that succession plans for orderly succession to both the Group Board and senior management positions are in place, developed and maintained, via action through the Group Executive Committee and activities within the businesses. The Committee recommended the succession planning approach and process, to be overseen by the Nomination Committee, to the Group Board and it was approved in November 2021. This includes:

a. completion of succession matrix to include a risk assessment for the risk of immediate loss of Executive Directors, senior executives, members of the Operating Boards and other key personnel;

b. internal talent identification amongst personnel by including 'Potential to Progress' ratings in annual appraisals for all mid-level management in the businesses;

c. working with HR teams to support and encourage training and development, to actively manage a pipeline of diverse internal talent when identified;

d. the introduction of a skills matrix tool for Non-executive role evaluation and succession planning to help identify skills gaps and to map the existing skillset against possible requirements to execute strategy and meet future challenges.

One aim for the Nomination Committee during 2022 is to begin to build an active link to the DEI policy and start to develop a diverse pipeline for succession. Each business has been tasked with establishing a methodology on activity to ensure a practical impact. Progress will be reported to the Nomination Committee on an annual basis. The aim is to ensure that succession to the Group Board and senior management positions is based on merit and objective criteria and promotes diversity of ethnicity, gender, age, disability, education and socio-economic backgrounds and sexual orientation.

(iv) In October 2021, the Committee reviewed the process and assessment criteria for the annual Group Board and Committee effectiveness review in advance of the Group Board conducting the review in November 2021 to assess how it could be developed or improved. On process, the Committee considered:

a. trends of using digital board evaluation platforms/ software/tools;
b. interviews outside of the Group Board meeting itself; and
c. external review/third party facilitator.

On the assessment, the Committee considered:

a. sufficient linkage with the Group's objectives;
b. development of individual director reviews;
c. development of a separate process to evaluate the Chair; and
d. whether evaluation topics/criteria reflect priorities, are fit-for-purpose and cover areas our stakeholders really care about.

The Committee concluded that the process is fit for purpose given the size, nature and complexity of the Group Board and its Committees, the current stability of the composition and the Group Board's maturity. However, the Committee updated the assessment criteria to enhance the following areas to reflect the QCAs list of characteristics of an '*effective board*': Group Board mix of skills, experience and knowledge; Group Board independence; Group Board understanding of the business; risk appetite and risk management; demonstrating Group Board stewardship; and role of Chair. A new section on Group Board diversity was also introduced.

(v) On Group Board structure, size and composition, in November 2021 the Nomination Committee introduced a process to consider Group Board requirements over the next five years vs. current, using a director skills matrix as a tool to assist in planning for future Group Board needs in the context of the Group's likely expansion. This identified that potential future opportunities were likely to be created as the Group expands and the Group Board's strategic plan was updated to explore this further.

(vi) In November 2021, the Committee considered and reviewed Group Board Committee membership and time requirements of Non-executive Directors. It also conducted a review of its own performance and effectiveness as a committee over 2021. No changes were recommended to the Group Board as a result, and the Committee's terms of reference were recommended to the Group Board for re-approval without amendment.

(vii) During Q1 22 the Nomination Committee conducted a performance evaluation, which considered the independence of each Director and their knowledge, skills and experience. It concluded that each Director continued to make an effective and valuable contribution to the Group Board, and that each Director demonstrated a strong commitment to their role and to the long-term success of the Group. The Committee recommended to the Group Board that all Directors should seek re-election by the Group's shareholders at the 2022 AGM.

Key governance policies

The Group has conducted a review of its key governance policies during 2021, firstly to ensure that they remain up to date and continue to reflect best practice, but also to ensure that the Group's aims, values and objectives are cascaded and applied consistently through our businesses. Certain new policies were also developed and implemented to align with our ESG strategy.

The following key governance policies and processes are in place across the Group:

- anti-bribery and corruption policy
- anti-slavery and human trafficking policy
- environmental, social and governance policy
- diversity, equity and inclusion policy
- data protection policy
- whistleblowing policy

Further information on the anti-slavery and human trafficking policy, anti-bribery and corruption policy and whistleblowing policy can be found in the Audit Committee Report on pages 67-70.

During the year, the Group has also been focusing on the development and enhancement of its governance polices and processes. It will continue with the development, then implementation, of the following in 2022:

- an overall Framework on Conduct, Ethics and Compliance to overarch all policies and bring them together in a coherent way;
- climate change policy;
- health, safety and well-being policy; and
- human rights policy.

Our Group General Counsel & Company Secretary and/or our Group Senior ESG Officer are working on these policies closely with the CEO and the Divisional Leads of Facilisgroup and Brand Addition.

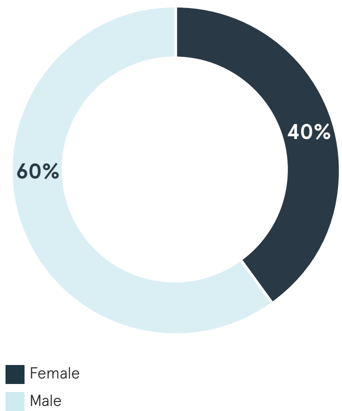
Our Governance Structure

Group Board and senior team diversity

We believe that a diverse and inclusive culture at the top of our organisation will lead to better decision-making and ultimately to a better business and place to work for our global workforce. Our approach to diversity, equity and inclusion is explained on page 31 in the ESG section of this report.

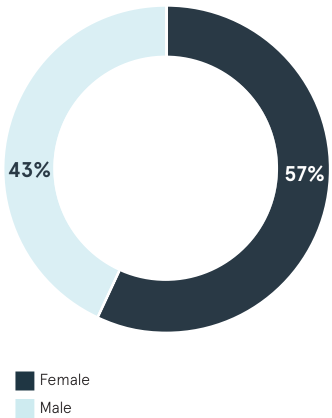
The Group Board also believes that it has a desirable range of different skills, experiences and backgrounds, further details of which can be found in the Group Board biographies on pages 64-65. This diversity of experience has continued to develop our businesses during the year, overseeing and ensuring focus on two key objectives: the continued investment in our medium-term growth plan for Facilisgroup with the delivery of our FY 21 milestones; and the execution of an immediate and full recovery over FY 19 revenue levels in FY 21 for Brand Addition. Details of progress against these objectives has been provided throughout the Strategic Report on pages 2 -49.

GROUP BOARD MEMBERS



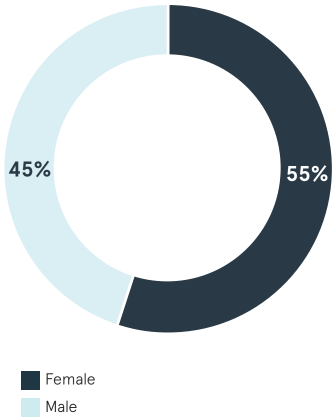
The Group Board has a good gender balance as it comprises three male and two female Directors.

GROUP EXECUTIVE COMMITTEE MEMBERS



We also have good gender balance throughout the senior teams within our businesses. Our Group Executive Committee consists of four female and three male senior executives.

OPERATING BOARDS (AND THEIR DIRECT REPORTS) AND GROUP EXECUTIVE COMMITTEE



Collectively, our Operating Board members and their direct reports, together with our Group Executive Committee, consist of 28 female and 23 male senior managers.

Delivering long-term growth.

The Directors believe that the QCA Code which sets out best practice corporate governance arrangements for small and mid-sized quoted companies, particularly those on AIM, remains most appropriate for the Company.

This section of the Annual Report and Accounts outlines how we have applied the ten principles of the QCA Code during the year.

	Commentary	Cross-reference to detail

Principle 1:

Establish a strategy and business model which promotes long-term value for shareholders.

The Group Board has a clear strategy for delivering long-term shareholder value. The Chair and CEO work closely to ensure the message and direction is strong and understood.

The Group Board held its annual strategy event over two days in October 2021 to discuss its ongoing vision for the Group, its direction and strategic priorities. The output focussed on:

- driving increased scale;
- our people and team structures;
- accelerating our long-term growth aspirations.

The Company's business model and strategy are detailed in the following sections of this Report:

- at a glance on page 4
- the Chair's report on page 12
- the CEO's review on page 14
- throughout the Strategic Report on pages 2–49
- strategy in action on page 17

Principle 2:

Seek to understand and meet shareholder needs and expectations.

The Executive Directors have primary responsibility for contact with shareholders and enjoy maintaining an active and frequent dialogue. They provide regular Group Board updates on shareholder meetings and provide the Non-executive Directors with all reports and feedback issued by analysts to support their understanding of the view of the Group by the investment community.

How we engage with shareholders is detailed in the Stakeholder Engagement section on page 21.

The Directors met with shareholders during the year as part of a planned programme of investor relations and when requested made themselves available for meetings. Shareholder engagement sessions in 2021 were well attended and received positively.

Investor presentations can be found on the Company's website.

The Group Executive Committee discusses shareholder needs and expectations in the context of upcoming market announcements and other touchpoints at every monthly meeting and reviews investor feedback received following each of those touchpoints.

The 2022 AGM will repeat the arrangements established in 2021 to ensure maximum opportunity for shareholder engagement in that forum by enabling shareholders to view the meeting via a live webcast and participate via live Q&A functionality. With the future needs and expectations of our shareholders in mind, the Company amended its Articles of Association in 2021 to permit 'hybrid' general meetings.

Information on 'hybrid' meeting provisions in the Articles of Association can be found on the Company's website.

Should you wish to request a meeting or submit a question, please contact investors@thepebblegroup.com.

Corporate governance statement

Principle 3:

Take into account wider stakeholder and social responsibilities and their implications for long-term success.

Our values identify the importance of all our stakeholders and our commitment to social responsibilities, demonstrating how integral these matters are to the Group's culture.

The Group works consistently to strengthen the relationships it has with all of its stakeholders.

Our values are on the inside front cover.

Information on how our business model identifies key resources and relationships is contained on page 6.

How the Company obtains stakeholder feedback and the output of that is in the Stakeholder Engagement section on pages 18-21.

Approach to wider stakeholder and social responsibilities is set out in our Section 172(1) statement on pages 22 - 25.

Principle 4:

Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Group Board uses a considered approach to risk management and acknowledges the need to accept a certain level of strategic risk to achieve capital growth for shareholders.

Risk management is embedded from the Group Board to the Audit Committee, to the Group Executive Committee, to the Operating Boards. There is an effective process for identifying, assessing and managing risks in this framework. The Audit Committee provides the assurance that the risk management and related control systems in place are effective.

The risk management framework is explained, together with details of the key risks and opportunities facing the Group and related mitigating actions to manage these risks, on pages 45-49.

The Audit Committee report on page 67 explains how it oversees the effectiveness and integrity of the internal control systems.

Principle 5:

Maintain the Board as a well-functioning, balanced team led by the Chair.

The Group Board has strong independent representation, a good balance between the Executive and the Non-executive Directors and a good gender balance.

Executive Directors dedicate a full-time commitment to the Company. Non-executive Directors provided a strong time commitment in 2021, allocating sufficient time to effectively discharge their responsibilities. This included the preparation for, attendance at, and dealing with actions arising from all Group Board and Committee meetings, which had full attendance.

The Chair and Company Secretary keep Group Board processes under review to develop and formalise, including conducting detailed annual planning and agenda setting. This results in the Group Board and its Committees receiving high quality, accurate and timely information on a regular basis.

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

The 2021 Annual Group Board Effectiveness review highlighted the role of the Chair, the relationship between the Chair and CEO, the effective functioning of the Group Board and its strengths as a balanced team as particular strong points.

Group Board structure and composition details are on page 52.

Detailed information on Group Board and Committee meeting frequency and attendance can be found in the Group Board of Directors section on pages 64-65.

Information on how the Nomination Committee actively reviewed Group Board structure, size and composition in 2021, is on pages 54-55.

Details of the Nomination Committee update to its Group Board effectiveness review criteria in 2021 (to ensure it remained fit-for-purpose) is on pages 54-55.

For full details of the Annual Group Board Effectiveness review 2021 results, see Principle 7 below.

Corporate governance statement

Principle 6:

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

All Directors are professionally active. Each has demonstrated that they possess the appropriate skills, capabilities and experience for the roles they perform at the Company, including as members of the Group Board and its Committees. Group Board experience is extensive and varied, and the mix of personal qualities (including gender balance) contributes to the Group Board's ability as a whole to deliver the Company's strategic objectives.

Director's skills and experience are detailed on pages 64 and 65 and also on the Company's website.

The 2021 Group Board effectiveness review assessed the performance of the individual Directors and found no issues. Further, all Directors were re-elected at the 2021 AGM. It is the Company's intention to continue to subject all Directors to re-election annually.

For full details of the results of the 2021 Annual Group Board Effectiveness review, see Principle 7 below.

A Director performance evaluation by the Nomination Committee in Q1 22 concluded that each Director continued to make an effective and valuable contribution to the Group Board, and that each Director demonstrated a strong commitment to their role and to the long-term success of the Company.

For full details of the Director performance evaluation conducted by the Nomination Committee in Q1 22, see pages 54-55.

The Company Secretary acts as adviser to the Chair and the Group Board, with responsibility for ensuring effective Group Board processes are followed. Monthly '*Boardroom Briefings*' are circulated to update Directors on topical issues, such as: corporate culture; Directors and their responsibilities; executive remuneration, ESG or climate related issues and disclosure requirements.

The Company's external auditor, PwC, provides regulatory updates and briefings to the Group Board three times per year on relevant corporate reporting developments or similar '*hot topics*' for the year under review.

The use of professional adviser services has been set out in the reports of each of the Group Board's Committees contained in this Report, where applicable.

The Company's NOMAD provides annual Group Board training and a briefing pack on the AIM Rules, Market Abuse Regulation, managing price sensitive information and other regulatory updates.

The Group Board is given the opportunity to keep in touch with relevant developments through appropriate seminars and formal external training courses facilitated by the Company Secretary to ensure continued development of knowledge, skill and capability.

Fostering a culture of continuous improvement is important to the Chair, who will lead in personal development by participating in training and continued professional development.

The Group Board and Committees have access to professional advisors at the Company's expense, if necessary.

Principle 7:

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

The Group Board, led by the Chair, fosters a culture of continuous improvement to maximise the effectiveness of board practices. It performs an annual formal assessment of the effectiveness of the Group Board and its performance as a unit as well as that of its Committees and the individual Directors.

The process is conducted internally by the Group Board and not on an anonymous basis, to reflect the open culture and nature of the Group Board:

- The Chair of the Group Board is responsible for and leads the process with assistance from the Company Secretary to ensure that all Directors are actively engaged.
- Completion of a written questionnaire by all Directors, covers '*Composition and Process*' and '*Behaviours and Activities*'.
- A written report from the Chair on the results is tabled for full Board discussion.
- Directors' evaluation of the results is facilitated by the Company Secretary.
- Actions are included and followed-up as part of standard Group Board process.

The Nomination Committee reviews the Group Board effectiveness process annually to enhance and improve the exercise. The process followed in 2021 was as per the above, which was considered to remain fit-for-purpose given the size, nature and complexity of the Group Board and its Committees, current stability of composition and governance maturity. However, the questionnaire was enhanced to reflect the QCA's list of characteristics of an '*effective board*'.

Details of the Nomination Committee update to its Group Board effectiveness review criteria in 2021 (to ensure it remained fit-for-purpose) is on page 54.

Detailed information on how the Nomination Committee actively reviewed Group Board structure, size and composition in 2021 can be found on page 55.

Results and recommendations of November 2021 Review

Particular strengths highlighted:

- tone from the top, the role of the Chair and strong positive relationship with CEO
- Group Board independence, knowledge and experience, attendance and active contribution at meetings, Group Board operation as a team in an accountable, open and transparent environment and time commitment of Non-executive Directors
- Group Board access to, and good use of, appropriate data to monitor the Company's performance
- Group Board creation of a performance culture that drives value creation without excessive risk exposure
- DEI policy
- crisis response capabilities and crisis management plans

Recommendations:

- Group Board to consider attendance of the Chair at a selection of investor meetings for shareholder availability and visibility
- CEO to explore enhanced ESG resource within our operations to shape ESG priorities and further develop ESG strategy in preparation for possible future formal evaluation of ESG/Sustainability governance as part of the evolving Group Board Effectiveness review process

Progress against previous recommendations

The Group Board has addressed the areas for development identified in the first performance review as outlined in the Company's 2020 Annual Report and Accounts. In particular:

- The Nomination Committee has introduced a process to consider Group Board requirements over the next five years vs. current using a director skills matrix as a tool to assist in planning for future Group Board needs in the context of the Company's likely expansion.

Detailed information on how the Nomination Committee has introduced a formal approach to succession planning is set out on page 54.

- The Nomination Committee has introduced a formal approach to succession planning and established a process for ensuring that succession plans are in place for orderly succession to both the Group Board and senior management positions.
- There is formal annual focus and oversight on crisis management and disaster recovery at Group Board level, particularly in the areas of IT and cyber security and data security risks due to detailed board planning by the Chair and Company Secretary. Divisional leads of Facilisgroup and Brand Addition and IT senior management presented to the Group Board in September 2021 on disaster recovery and business continuity plans. As a result, crisis response capabilities and crisis management plans were highlighted as a particular strength in the 2021 Group Board effectiveness review.
- The Remuneration Committee takes into account periodic external comparisons to examine current market trends and practices at equivalent roles in similar companies. The Remuneration Committee also appoints external consultants where appropriate, to provide advice. During Q4 21 such a periodic review took place.

Corporate governance statement

Principle 8:

Promote a corporate culture that is based on ethical values and behaviours.

During 2021, the Group formally adopted its values. They shape our culture, define who we are, what we do and how we act. We believe they demonstrate our commitment to ethical behaviour.

For details of our values please see inside front cover.

For information on how the Company's culture is consistent with its objectives, strategy and business model, please see the Strategic Report pages 2-49.

The Group Board monitors and promotes an ethical corporate culture by having documented key governance policies in place which are reviewed and re-approved annually to ensure that they remain up to date and continue to reflect best practice. It is extremely important to the Group Board that policies or practices not only align with best practice but are designed in a meaningful way and fit with our culture and way of working.

Our assessment of our principle risks and uncertainties reflects our ethical culture and balanced risk appetite. For details, please see pages 45-49.

The policies assist in embedding a culture of ethical behaviour for all employees. In addition, we seek to work with agents, contractors, business partners and other third parties who work with us or on our behalf, who share our zero-tolerance approach to certain activities e.g., bribery and corruption, and we expect them to behave consistently with the provisions of certain of our policies.

For details of the key governance policies in place across the Group, please see page 55.

Information on monitoring compliance with certain policies can be found in the Audit Committee Report on pages 67-70.

The Group Board also monitors the state of culture and employee satisfaction at present by including minutes of the Brand Addition employee forum for noting at each Group Board meeting.

The CEO in conjunction with the Company Secretary or the Group Senior ESG Officer is responsible for reviewing the suitability, adequacy and effectiveness of the policies and for making improvements as appropriate. The HR Department in each business is responsible for ensuring the implementation and communication of policies and ensuring that any Group policies are reflected in Brand Addition's and Facilisgroup's respective equivalent local policies.

Any non-compliance with policies is reported by the Divisional Lead of Facilisgroup and Brand Addition via the Group Executive Committee to the relevant Group Board Committee and ultimately the Group Board for monitoring on an ongoing basis.

In October 2021, the Company published its first ESG report in which it set out its ESG strategy and the framework which underpins its approach to ESG.

During 2021, the Group has also been focusing on the development and enhancement of its governance polices and processes and will continue with its development, then implementation of the same in 2022.

For details on the upcoming policies under development for introduction in 2022, please see page 55.

Principle 9:

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

The Group's governance structures have evolved and developed since IPO, so that they fit naturally with our culture and way of working. They will remain under review during 2022 and will evolve where required in line with the Company's planned growth.

The role of each member of the Group Board is clearly defined. The Chair is responsible for the operation of the Group Board and for corporate governance within the Group. The CEO is responsible for proposing the strategic direction of the Group Board and implementing the strategy once approved. The CFO is responsible for all financial matters and engagement with shareholders.

The Group Board reviews its formal schedule of matters reserved for the Group Board and each Committee reviews its terms of reference on an annual basis to ensure they remain fit for purpose and support good decision-making.

The Group Board and its Committees operate within formal processes and timetables facilitated by the Company Secretary. Each meeting has an agenda, a Group Board reporting template (with Section 172 guidance), appropriate and timely information is circulated in good time prior to each meeting, and meetings are planned to ensure that appropriate time is allotted for open and in-depth discussion. All actions arising are formally tracked, followed up by the Company's management and reported. The Chair and Company Secretary keep Group Board processes under review to develop and formalise, including conducting detailed annual planning and agenda setting which aligns with the terms of reference. This results in the Group Board and its Committees receiving high quality, accurate and timely information on a regular basis which supports good decision-making by the Directors.

The Group's governance structures are explained on pages 52-56.

More detail on the Group Board roles and responsibilities can be found on the corporate governance section of the Company's website.

The roles of the Group Board's Committees are described in detail on pages 53-55.

The schedule of matters reserved for the Group Board and each Committee's terms of reference can be found on the Company's website

Principle 10:

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The detailed responses to the principles of the QCA Code in this section of the Report, in conjunction with the related information throughout this Report, communicates to shareholders and other relevant stakeholders how the Company is governed.

In October 2021, the Company published its first ESG Report in which it set out its ESG strategy and the framework which underpins its approach to ESG.

See the details included at Principle 2 above as to how the Company maintains an active dialogue with its shareholders on Company performance through a planned programme of investor relations.

A range of Company information is included on the Company's website.

Further information can be requested from investors@thepebblegroup.com

Leading with experience.

KEY TO COMMITTEE MEMBERSHIP

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

Richard Law
Chair

Tenure
2 years 4 months

Experience
Richard has broad senior management and Board experience of business, engineering, corporate finance, technology and governance spanning 40 years. Richard retired as Chief Executive Officer of AIM-quoted GB Group plc in 2017, having led the company from a market capitalisation of £5 million to £500 million, and took up a portfolio role investing in and chairing both public and private companies. As well as chairing The Pebble Group plc, Richard is currently the Chairman of Vypr (a product intelligence and performance accelerator) and Chairman designate of SmartSearch (a provider of online compliance solutions).

Skills brought to the Group Board
- Extensive financial expertise
- Extensive and diverse leadership experience
- Sound practical understanding of corporate governance
- Deep appreciation of investor sentiment
- Strong understanding of ecommerce and data solutions

External appointments
- Non-executive Director and Chairman at Vypr Validation Technologies Limited
- Non-executive Director at Gudtouch Limited
- Chairman designate Smart Credit Limited (t/a SmartSearch) – part time

Committee membership
Ⓐ Ⓡ Ⓝ

Meetings attended in 2021

Board meetings	11/11
Audit Committee meetings	3/3
Remuneration Committee meetings	4/4
Nomination Committee meetings	3/3

Christopher (Chris) Lee
Chief Executive Officer (CEO)

Tenure
22 years

Experience
Chris led the private equity backed management buyout of Brand Addition in 2012 and 2017 and the acquisitions of Gateway CDI and Facilisgroup in 2016 and 2018 and the listing of The Pebble Group plc onto AIM in 2019.

Skills brought to the Group Board
- Sound, proven leadership skills and a considered strategic approach, developing the Group's capabilities for sustainable growth
- Detailed understanding of the market and sector with significant knowledge of commercial, client and operational matters
- Successful transaction and M&A experience
- Client and supplier relationship management, contracting and negotiations
- A thorough understanding of stakeholder priorities including the development of the senior executives and ESG issues

Committee Membership
- Group Executive Committee

Meetings attended in 2021

Board meetings	11/11
Group Executive Committee meetings	9/9

Claire Thomson
Chief Financial Officer (CFO)

Tenure
14 years

Experience
Claire has led the finance, banking, legal and compliance aspects of the businesses which now comprise the Group for over 13 years, taking the role of Chief Financial Officer following the management buyout in 2012. Claire is a qualified Chartered Accountant and prior to joining the Group, spent 11 years in audit at PricewaterhouseCoopers, having joined in 1997. Claire has a BA Hons degree in English and American Literature from the University of Manchester.

Skills brought to the Group Board
- Extensive finance, financial reporting and financial management expertise
- Sound, proven leadership skills
- Wide in-depth knowledge of each business area
- Successful transaction and M&A experience
- Significant experience of effective risk management and internal controls
- Investor relations

External appointments
- Director at Cheadle Hulme School

Committee Membership
- Group Executive Committee

Meetings attended in 2021

Group Board meetings	11/11
Group Executive Committee meetings	9/9

Yvonne Monaghan
Independent Non-executive Director and Senior Independent Director

Tenure
2 years 4 months

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

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

Skills brought to the Group Board
- Extensive financial and financial reporting expertise
- Sound practical understanding of corporate governance
- Significant understanding of audit processes, risk management and controls
- Deep appreciation of investor sentiment

External appointments
- Chief Financial Officer of Johnson Service Group PLC
- Elected to the CBI North West Regional Council with effect from 1 January 2021

Committee membership
A R N

Meetings attended in 2021

Group Board meetings	11/11
Audit Committee meetings	3/3
Remuneration Committee meetings	4/4
Nomination Committee meetings	3/3

Stuart Warriner
Independent Non-executive Director

Tenure
2 years 4 months

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

Skills brought to the Group Board
- Expertise in M&A
- Track record in advising Boards including on strategy and shareholder value
- Sound practical understanding of corporate governance

External appointments
- Senior Advisor at Houlihan Lokey
- Non-executive Director of strategy and communications agency Lodestone Oxford Limited

Committee membership
A R N

Meetings attended in 2021

Group Board meetings	11/11
Audit Committee meetings	3/3
Remuneration Committee meetings	4/4
Nomination Committee meetings	3/3

Senior Executives

Divisional Leads

Lucy Penfold
Group General Counsel & Company Secretary

Tenure
1 year, 3 months

Experience
Prior to joining The Pebble Group, Lucy had 13 years' experience as in-house legal counsel at AXA UK plc where she specialised in corporate and commercial law and acted for the group's various UK subsidiaries, including advising on a number of acquisitions, disposals, re-organisations and corporate integrations. Whilst at AXA UK, Lucy also gained experience of company secretarial support, corporate governance and risk management whilst in her role as Assistant Company Secretary. Prior to that, Lucy spent two years practicing corporate law as an associate at Olswang LLP, where she also trained for two years and qualified as a solicitor in 2005. Lucy has a BA Hons degree in Accountancy & Law from the University of Manchester.

Skills
- M&A, corporate law and group re-organisation
- Commercial contract drafting and negotiation
- Corporate governance
- Risk management

Committee membership
- Group Executive Committee

Meetings attended in 2021

Group Executive Committee meetings	8/9

Ashley McCune
President, Facilisgroup

Tenure
15 years

Experience
Ashley oversaw the finance, operations and marketing aspects of Facilisgroup as a senior leader for over 10 years. She was appointed President of Facilisgroup in 2020, following the acquisition by The Pebble Group in 2019 and departure of the legacy owners. Ashley has 18 years of experience in the promotional products industry with experience in both the distributor and technology arenas. She has a BS degree in Business from Southern Illinois University.

Skills
- Strong and extensive industry and sector knowledge
- Business and senior team leadership
- Strategy development
- Operational management
- Partner relationship management
- Negotiations
- Organisational development
- Experience of organic growth

Board and Committee membership
- Group Executive Committee

Meetings attended in 2021

Group Executive Committee meetings	8/9

Karl Whiteside
Group MD, Brand Addition

Tenure
4 years

Experience
Karl has led the US division of Brand Addition since 2017. Prior to joining Brand Addition, Karl led supply chain and logistics teams throughout North America as well as inside sales, sourcing, and billing teams for Staples Promotional Products for 10 years. Before joining the creative merchandise industry, Karl spent time in National Account Sales roles with Newell Brands and Samsonite. Karl has a BS degree in marketing from Truman State University.

Skills
- Business strategy planning and execution
- Operational and efficiency management
- Extensive industry and sector knowledge
- Executive leadership and mentoring
- Management of global teams
- Risk management and supply chain strategy planning

Board and Committee membership
- Group Executive Committee

Meetings attended in 2021

Group Executive Committee meetings	9/9

Audit Committee report

Monitoring the quality of internal controls.

Dear shareholder,

I am pleased to present the Audit Committee Report for the year ended 31 December 2021.

Composition and experience of the Audit Committee

I am Chair of the Committee which consists of all three independent Non-executive Directors (Stuart Warriner, Richard Law and myself) and is supported by Lucy Penfold as Company Secretary. All three Non-executive Directors are qualified chartered accountants, with considerable business experience in senior financial and operational roles, including knowledge of financial markets, as detailed in the Group Board biographies on pages 64-65. All members of the Committee are regarded as having recent and relevant experience.

The Committee meets three times per year, including once at the planning stage before the external audit and once after the external audit at the reporting stage, to facilitate discussions relating to the financial statements and internal controls of the Group. The meetings are attended by the CEO and CFO, as well as the external auditor, PwC. In 2021 all three meetings had full attendance. Additionally, the Committee meets the external auditor at least once per year without executive management present, to discuss the auditor's remit and any issues arising.

Responsibilities of the Audit Committee

Throughout the year, the Committee continued to fulfil its duties on behalf of the Group Board. It has an established, structured agenda closely aligned to the Group's reporting cycle.

The responsibilities of the Committee are defined by the Terms of Reference which can be viewed on the Company's website. These include primary responsibility for:

- reviewing the effectiveness of the Group's internal controls, including review of the scope and adequacy of the Company's processes and controls in respect of whistleblowing and anti-bribery;

Audit Committee report

- monitoring and reviewing the effectiveness of the Group's internal audit function;
- considering the review of material business risks and reviewing internal control processes to identify and monitor risks;
- monitoring the integrity of the Group's financial statements and the external announcements of the Group's results, including reviewing, and challenging where necessary, significant financial reporting issues and judgements which they contain;
- advising on the clarity of disclosures and information contained in the Annual Report and Accounts and giving an opinion to the Group Board on whether the Annual Report and Accounts are fair, balanced and understandable;
- ensuring consistency in application of and compliance with applicable accounting standards; and
- overseeing the relationship with the external auditor including recommending approval of their appointment and approving their remuneration, reviewing their reports and ensuring their independence is maintained.

The Audit Committee reports to the Group Board on all these matters.

Evaluation of the effectiveness of the Audit Committee

To ensure that it is operating at maximum effectiveness, the Committee used output of the formal Group Board Effectiveness review detailed on page 61 to review and evaluate its own performance, constitution and Terms of Reference during Q4 21. It concluded that the Committee was operating effectively, and no action or changes were required to be recommended to the Group Board. No issues arose from the Terms of Reference which were re-approved by the Group Board without amendment.

Significant matters considered in relation to the financial statements

At the request of the Group Board, the Audit Committee considered whether the 2021 Annual Report and Accounts were fair, balanced and understandable and whether they provided the necessary information for Shareholders to assess the Group's performance, business model and strategy. The Committee were satisfied that, taken as a whole, the 2021 Annual Report and Accounts are fair, balanced and understandable.

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

- review of the capitalisation of software development costs;
- appropriateness of the carrying value of goodwill, intangibles and investments;
- accounting for supplier contributions;
- Alternative Performance Measures; and
- going concern assessment.

Alternative Performance Measures (APM's)

Throughout the Annual Report and Accounts we refer to a number of APM's. These are used by the Group 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 team remuneration.

The Committee is aware that APM's are non-IFRS measures. APM's used by the Group are as follows:

- 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

The Committee considers the APM's, all of which exclude the effect of non-recurring items or non-operating events, provide useful information for Shareholders on the underlying performance of the Group. The Committee is satisfied that where APM's are used, they are presented with equal prominence to the statutory figures.

External audit

The Audit Committee has responsibility for the recommendation for re-appointment and deciding the remuneration of the Group's external auditor and satisfying itself that they maintain their independence regardless of any non-audit work performed by them.

During the year, the Group adopted a policy on the supply of non-audit services by its external auditor, which ensures the Group is compliant with the Financial Reporting Council's (FRC) Ethical Standards. The Group has adopted the FRC's "Whitelist" of permitted non-audit services, and in relation to the provision of such services, the Audit Committee is responsible for approving all non-audit services that are not deemed trivial. The Audit Committee will apply judgement in making such decisions, specifically in relation to threats to independence and objectivity resulting from the provision of such services and any safeguards in place to eliminate or reduce these threats.

The total fees payable to the Group's external auditor in respect of the year under review amount to £210,500 (FY 20: £233,000[1]). No non-audit services were provided in FY 21 (FY 20: £nil).

One of the principal duties of the Audit Committee is to make recommendations to the Group Board in relation to the appointment of the external auditor. PwC has been the Company's external auditor for many years and in line with best practice guidance as a listed plc is required to rotate the Senior Statutory Auditor (audit engagement partner) responsible for the Group and subsidiary audits every five years. The Group's current Senior Statutory Auditor was identified as such in October 2020.

The respective responsibilities of the Directors and external auditor in connection with the Group financial statements are explained in the Statement of Directors' Responsibilities on page 84 and the Auditor's Reports on pages 85-89.

Review of external auditor's effectiveness

The Committee reviewed the external auditor's performance and independence, by considering the qualifications, expertise and resources of PwC and its objectivity on an ongoing basis throughout the year. This was done by considering the following:

- the views of the Executive Directors;
- responses from PwC to questions from the Committee;
- the audit findings reported to the Committee, including PwC's report on internal quality procedures; and
- the relationship with PwC as a whole, to confirm there are no relationships between the external auditor and the Company other than in the ordinary course of business which could adversely affect independence and objectivity.

Furthermore, during the year, the Group formally adopted a policy for the appointment of former employees of the external auditor, which requires written approval from the Chair, CFO and Head of the Audit Committee, should the Group wish to hire any employee who has been involved in the audit within the last two years. No such appointments have been made during the year.

Based on the reviews performed, the Committee is satisfied that the external audit process has operated effectively, and PwC continued to bring independence and prove effective in its role as external auditor.

Internal control and risk management

As explained in more detail in the Risk Management section of the Strategic report on page 45, the Committee supports the Group Board in reviewing the Group's risk management methodology and the effectiveness and integrity of the Company's internal control and risk management systems. Regular internal control updates are provided to the Committee, which include reviewing and updating the nature and extent of principal risks and uncertainties faced by the Group contained in the Group's risk register and assessing the mitigating actions in place and updates to action plans agreed in previous meetings. The Committee discussed and reviewed the Group's risk register twice in FY 21, focusing on climate change, the pandemic, cyber security and the corporate criminal offence. On each occasion it concluded that all risks and opportunities had been appropriately identified and recommended the Group's risk register to the Group Board for approval.

Internal audit

On an annual basis, the Committee considers and approves the proposed annual internal audit and risk plan for the full year. The Committee is kept up to date by the CFO and the Group Financial Controller on progress against the Group's internal audit and risk plan.

The Committee considers annually whether there is a need for a separate internal audit and risk function and makes a recommendation to the Group Board accordingly. The Group does not currently have a formal internal audit function. Targeted reviews and visits to operations are performed by the Head Office Finance team, which is independent of the business operations and which comprises wholly of qualified accountants. The team is responsible for reviewing and reporting on the effectiveness of internal controls and risk management systems. This approach is considered appropriate and proportionate for the size of the Group's operations and does not affect the work of the external auditor.

Risk and compliance policies

In line with the theme of trust, ethics, transparency and delivery of good corporate governance, the responsibility of the Audit Committee in the management and communication of risks and internal controls extends beyond matters of financial, operational and strategic risk. As such, the Audit Committee considers the Company's attitude towards areas such as ethics, anti-bribery, corruption, modern slavery, market abuse prevention and whistleblowing.

[1] Audit related services in FY 20 included £50,000 of over-runs agreed by the Committee in respect of the FY 19 audit. This was explained in the Annual Report and Accounts 2020.

Audit Committee report

During Q4 21, the Committee conducted a review of the following Group level risk and compliance polices adopted at IPO to ensure that they were up to date and remained fit for purpose. Where required, these were updated to reflect best practice and all were recommended to the Group Board for approval:

- **Anti-bribery and corruption policy** - the zero-tolerance approach to bribery and corruption outlined in this policy reflects the Group's commitment to act honestly, professionally, fairly and with integrity in all business dealings and relationships. This policy is designed to ensure adherence to the provisions of the Bribery Act 2010 and to take account of "Business Principles for Countering Bribery" published by Transparency International. This also covers corporate gifts and hospitality, and appropriate business ethics. Compliance with this policy is confirmed annually by the Group's management teams.
- **Whistleblowing policy** – the support and encouragement provided to employees and stakeholders to raise issues or concerns in respect of conduct within the organisation that could fall below expected standards without fear of recrimination, victimisation or suffering a disadvantage of any kind as outlined in this policy reflects the Group's commitment to high standards of honesty, openness, integrity and accountability. This policy promotes a culture of openness and ensures that everyone knows how to raise a concern. Any matters raised through the whistleblowing process are reported to the Committee. Where a matter is raised, a proportionate investigation is undertaken by independent management with support and guidance from the Committee as necessary. The Group is pleased to report that no incidents were reported during the year.
- **Anti-slavery and human trafficking policy** – the responsibilities of our businesses to implement and enforce effective systems and controls to ensure that modern slavery is not taking place anywhere in our own businesses or in any of our businesses' supply chains as outlined in this policy reflects the Group's zero-tolerance approach to modern slavery, exploitation and violation of fundamental human rights. Adherence to these principles is addressed through staff induction, ongoing training and communications. Suppliers are required to comply with our policies on these matters with compliance enforced through robust vendor audits, supplier visits and ongoing training.
- **Group wide dealing policy and share dealing code** – these policies are designed to ensure that Directors and employees do not misuse, or place themselves under suspicion of misusing, information about the Group which is not public and they support compliance with the applicable regulatory framework on market abuse.

Additionally, in the wake of the pandemic, Brexit and resulting changes to operations, together with an evolving financial crime environment, the Audit Committee initiated a project to review the Group's approach to the corporate offence of failure to prevent facilitation of tax evasion, introduced by the Criminal Finances Act 2017. The Group Executive Committee developed a project plan to refresh the Group's risk assessment on this and to ensure that 'prevention procedures' remained up to date and fit for purpose. External advisers were engaged in Q1 22 to support this work and the output was reported back to the Audit Committee.

Y Monaghan

Yvonne Monaghan
Chair of the Audit Committee
22 March 2022

Ensuring key personnel deliver the Company's objectives.

This report is for the year ended 31 December 2021. It sets out the remuneration policy and the detailed remuneration for the Executive and Non-executive Directors of the Company. As an AIM-quoted company, the information is disclosed to fulfil the requirements of AIM Rule 19. The Pebble Group plc is not required to comply with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The information is unaudited except where stated.

Dear shareholder,

I am pleased to introduce the Directors' Remuneration Report for the 2021 financial year. This letter introduces the report, outlines the major decisions on Directors' remuneration during the year and explains the context in which these decisions have been taken.

The Pebble Group plc is committed to high standards of corporate governance and our policy and disclosures on Directors' remuneration are intended to reflect this approach. Through this report, we aim to provide shareholders with the necessary information to understand our remuneration strategy and how it links with Group performance and we welcome shareholder feedback on these matters. To reflect our positive approach to good corporate governance and to promote engagement between the Remuneration Committee and our shareholders, we will put this Directors' Remuneration Report to an advisory vote at the 2022 AGM, as we did at the 2021 AGM. At our 2021 AGM, this resolution was supported by 99.5% of votes cast (no votes withheld).

Remuneration report

Remuneration policy

The Company's approach to remuneration is that the overall package should be sufficiently attractive to recruit, motivate and retain individuals of a high calibre with significant technical and strategic expertise. The remuneration policy ensures that key personnel are incentivised and rewarded in a way that is aligned to delivery of the Company's long-term growth objectives which in turn achieves a Group culture that will support our strategic goals. I believe the interests of key personnel are resultingly aligned with those of our shareholders.

The remuneration policy adopted by the Company has four main elements, base salary, benefits, annual performance related bonuses and long-term share incentives. Policy in each area is detailed in this report.

I believe that there is a clear link between variable pay and operational and financial performance and I consider all performance metrics used to be stretching and aligned with our strategy and business model. During the year, the Committee considered inclusion of ESG-related criteria to determine variable pay, however this has not been adopted to date. I intend to keep this under review noting that such criteria, if introduced, must be as rigorous as other financial or operational targets and meaningful to our businesses.

Performance and decisions on remuneration taken during 2021

Company performance during the year was focused on meeting two objectives:

- continuing to invest in, and show progress against, the medium-term growth plan for Facilisgroup, targeting $50 million of Annual Recurring Revenue by the end of 2024; and
- demonstrating the ability of Brand Addition to make an immediate recovery to FY 19 revenue levels following the impact of the COVID 19 pandemic on the business during FY 20.

Details of progress against these objectives have been provided throughout the Strategic Report on pages 2-49.

In the context of these objectives and against the backdrop of 2020 where Company performance was impacted by COVID 19, the following remuneration decisions were made by the Remuneration Committee:

- the base salary for each of the CEO and CFO, of £270,000 and £200,000 respectively, was not changed and remained at the level set at IPO in 2019;
- the fees for the Chair and other Non-executive Directors were not changed and remained at the level set at IPO in 2019;
- an Annual Bonus Plan for Executive Directors was approved in 2021. The plan was subject to performance targets based solely on the Group's financial results, using the Adjusted EBITDA performance. (Details of the level achieved against target are summarised later in this report);
- the recurring annual award under the Long Term Incentive Plan (LTIP) was made on 8 June 2021; and
- the first implementation of the Group Sharesave Plan (SAYE) was approved and options were granted on 6 October 2021.

Information on how remuneration will be operated in 2022 is set out at the end of this report.

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

Stuart Warriner
Remuneration Committee Chair
22 March 2022

Composition of Committee

The Committee comprises all three independent Non-executive Directors, Stuart Warriner (Chair), Yvonne Monaghan and Richard Law and is supported by Lucy Penfold as Company Secretary. The Committee will normally meet four times a year to review the remuneration of the Executive Directors and other Executive Team members. The views of the Chief Executive are sought in respect of awards to the other Executive Director and Executive Team members.

Evaluation of the effectiveness of the Remuneration Committee

To ensure that it is operating at maximum effectiveness, the Committee used output of the formal Group Board Effectiveness review detailed on page 61 to review and evaluate its own performance, constitution and Terms of Reference during Q4 21. It concluded that the Committee was operating effectively, and no action or changes were required to be recommended to the Group Board. No issues arose from the Terms of Reference which were re-approved by the Group Board without amendment.

Remuneration policy

The Committee's overall approach is focused on ensuring the Company's remuneration policy is aligned with shareholders' interests whilst also enabling the Company to attract, retain and motivate high quality executive management. It is intended that this policy conforms with best practice standards.

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

- align Executive and shareholder interests;
- underpin an effective pay-for-performance culture;
- support retention, motivation and recruitment of talented people; and
- be clear, consistent and easy to understand.

The Committee aims to achieve an appropriate balance between fixed and variable remuneration, and between variable remuneration based on short-term and longer-term performance. Fixed remuneration includes base salary and benefits. Variable remuneration includes annual bonus and awards made under the Long Term Incentive Plan. In addition to this, the Executive Directors are required to build and maintain a minimum shareholding in The Pebble Group plc shares, details of which are provided in the table below.

The structure of executive remuneration is in line with that of many established UK quoted companies balancing fixed remuneration, annual bonus and long-term performance share awards. Approximately 57% of the potential remuneration of the Executive Directors is subject to the achievement of performance targets. The link of remuneration outcomes to long-term performance is primarily through the Long Term Incentive Plan which has stretching targets based on basic adjusted earnings per share (EPS) and total shareholder return (TSR), and a two-year post-vesting holding period is applied. The Committee recognises the risk of target-based plans and addresses this risk through careful consideration in the choice and pitching of performance targets, the ability to exercise discretion, the attachment of malus and clawback provisions to Long Term Incentive Plan awards and the application of a shareholding guideline. In the light of this remuneration structure and the substantial shareholdings of both the CEO and CFO, the Committee is satisfied that the Executive Directors are well aligned with the long-term performance of the Company.

The Committee will take into account periodic external comparisons to examine current market trends and practices at equivalent roles in similar companies. Additionally, in making its decisions in 2021 the Committee also consulted external consultants h2glenfern Remuneration Advisory Limited (H2glenfern), where appropriate, to provide advice on best practice and market trends. H2glenfern is a member of the UK Remuneration Consultants Group (RCG) and has confirmed that it complies with the RCG Code. H2glenfern has no other relationship with the Company and the Committee is satisfied that the advice it receives is independent and objective. The Committee instructed h2glenfern to carry out benchmarking for executive and non-executive remuneration during Q4 21.

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

Remuneration report

Elements of Remuneration

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

Element	Link to remuneration policy/strategy	Operation	Maximum opportunity	Performance metric
Long Term Incentive Plan	To incentivise and reward long-term performance and value creation. To align the interests of Executive Directors and shareholders in the long-term.	Executive Directors are eligible to receive awards under the Long Term Incentive Plan at the discretion of the Committee. Awards are granted as nil-cost options or conditional awards which vest after three years subject to the meeting of objective performance conditions specified at award. Awards are subject to malus and clawback provisions. An additional holding period of two years post vesting is applied to awards made to the Executive Directors. Dividend equivalents may be added to awards.	The annual award to the CEO and CFO is normally 100% of base salary.	Performance measures may include financial and total shareholder return (TSR)-based targets. Performance criteria and weightings may be changed from year to year. For awards made in FY 20 and FY 21, 70% of the award was subject to a cumulative basic earnings per share (EPS) target and 30% was subject to an absolute TSR target. Details are set out later in this report.
All employee share plan	To encourage all employees to make a long-term investment in the Company's shares in a tax efficient way	The Executive Directors may participate in the Group Sharesave Plan (SAYE) on the same terms as other eligible employees.	The maximum participation level will be aligned to HMRC limits.	None
Shareholding requirement	Encourages Executive Directors to achieve the Company's long- term strategy and create sustainable stakeholder value Aligns with shareholder interests	200% of salary. The shareholdings of the CEO and CFO are currently well in excess of this guideline.		
Non-executive Director remuneration	To provide fees appropriate to time commitments and responsibilities of each role.	Non-executive Directors are paid a base fee in cash. Fees are reviewed periodically. In addition, reasonable business expenses maybe reimbursed.	The Group Board is guided by the general increase for the broader employee population and takes into account relevant market movements.	

Remuneration report

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

Remuneration of employees below the Group Board
Employees below the Group Board receive base salary, benefits, annual bonus, and senior staff are invited to participate in the Long Term Incentive plan.

Pay and conditions throughout the Group are taken into consideration when setting remuneration policy. The Committee does not consult other employees when setting executive remuneration.

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

The Chair of the Remuneration Committee is available for contact with investors concerning the Company's approach to remuneration. The annual report on remuneration will be put to an advisory vote at the upcoming AGM in 2022.

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

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

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

Annual report on remuneration
This section sets out details of remuneration in 2021.

2021 Summary of Directors' total remuneration (audited)*

Name	Salary/Fee	Bonus	Pension	Benefits**	Total
Executive					
Christopher Lee	£270,000	£114,750	–	£14,687	£399,437
Claire Thomson	£200,000	£85,000	–	£11,579	£296,579
Non-executive					
Richard Law	£100,000	–	–	–	£100,000
Yvonne Monaghan	£45,000	–	–	–	£45,000
Stuart Warriner	£45,000	–	–	–	£45,000

** Executive Directors' salary and Non-executive Directors' fees in 2021 were unchanged from 2020. The difference in total remuneration paid is due to the 40% reduction that was agreed in 2020, as noted in the table below.*

*** Car lease and private medical insurance.*

2020 Summary of Directors' total remuneration (audited)*

Name	Salary/fee	Bonus	Pension	Benefits**	Total
Executive					
Christopher Lee	£222,252	£0	£4,499	£11,590	£238,341
Claire Thomson	£165,246	£0	£5,345	£9,174	£179,765
Non-executive					
Richard Law	£80,777	–	–	–	£80,777
Yvonne Monaghan	£36,350	–	–	–	£36,350
Stuart Warriner	£36,350	–	–	–	£36,350

** In response to the COVID-19 pandemic, Executive Directors and Non-executive Directors agreed to a 40% reduction in base salary and fees, respectively. This reduction was in place for the 6-month period from 1 April to 30 September 2020.*

2021 annual bonus awards

No annual bonus plan operated in respect of 2020. For 2021, the maximum potential bonus was 100% of base salary. The awards were subject to performance targets based solely on the Group's financial results, using the Adjusted EBITDA performance, which is considered by the Remuneration Committee to be the Group's key performance measure. No bonus is payable for below threshold performance but increases on a straight-line basis from 25% pay-out at threshold, to 60% pay-out at target performance, to 100% pay-out at maximum.

The Company achieved adjusted EBITDA of £15.4m in FY 21 which corresponded to a pay out at 42.5% of maximum for each Executive Director, as shown in the table above.

Long Term Incentive Plan (LTIP)

Long term incentive awards were granted to the CEO and CFO on 8 June 2021. The table below summarises the awards made to the Executive Directors under the plan.

Name and award date	Interest at 31 December 2020	Granted in year*	Vested	Exercised	Lapsed	Interest at 31 December 2021	Performance period ending
Christopher Lee							
21 December 2020	242,152		–	–	–	242,152	30 June 2023
8 June 2021		176,471				176,471	31 December 2023
Claire Thomson							
21 December 2020	179,372		–	–	–	179,372	30 June 2023
8 June 2021		130,719				130,719	31 December 2023

Nil cost awards with performance conditions as at 31 December 2021.

* The value at Grant Date was calculated based on the closing share price on 8 June 2021 of 1.529p per share. Each of the awards represents an LTIP award over shares worth 100% of annual salary as at the Grant Date.

Performance conditions	2021 award 70% cumulative adjusted basic EPS and 30% TSR	2020 award 70% cumulative adjusted basic EPS and 30% TSR
Cumulative basic adjusted EPS Basic adjusted EPS as defined in the LTIP rules, excludes share based payment costs, exceptional items and amortisation from acquired intangibles	Cumulative basic adjusted EPS for the three years ended 31 December 2023 Threshold (25% of maximum vesting) 15.4p Mid-range (60% of maximum vesting) 16.3p Maximum (100% of maximum vesting) 17.3p	Cumulative basic adjusted EPS for the three years ended 30 June 2023 Threshold (25% of maximum vesting) 13.4p Mid-range (60% of maximum vesting) 14.3p Maximum (100% of maximum vesting) 15.1p
Annualised TSR Annualised growth in total shareholder returns	Threshold 8% pa (25% maximum vesting Mid-range 11.3% pa (60% maximum vesting) Maximum 15% pa (100% maximum vesting)	Threshold 8% pa (25% maximum vesting) Mid-range 11.3% pa (60% maximum vesting) Maximum 15% pa (100% maximum vesting)

Performance between these levels is determined on a straight-line basis.

Remuneration report

The performance period for the 2020 awards (being the three years ending 30 June 2023) was chosen as the timing of the 2020 awards was deferred to December 2020.

The performance period for the 2021 awards (being the three years ending 31 December 2023) was chosen to align back with the financial year.

The charge for share based payments is detailed in note 24 to the accounts.

Group Sharesave Plan (SAYE) participation

Christopher Lee and Claire Thomson elected to participate in the 2021 Sharesave plan launched in September 2021 to the maximum amount offered to staff under the plan. As such, they were awarded options as detailed below. The exercise price for these awards is 122 pence per Share, representing a 20% discount to the closing market price of 152.50 pence per Share on 13 September 2021, being the trading day before the invitation for eligible employees to participate was made.

Name	Award date	Granted in year	Exercise price	Contract start date	Option exercisable
Christopher Lee	6 Oct 2021	14,754	122p	1 Dec 2021	1 Dec 2024
Claire Thomson	6 Oct 2021	14,754	122p	1 Dec 2021	1 Dec 2024

Annual General Meeting

The Committee was pleased that at the Company's AGM held on 3 June 2021, 99.5% of votes cast were in favour of the resolution to approve the Directors' Remuneration Report (no votes withheld).

Director's interests in shares

The interests of the Directors as at 31 December 2021 and 2020 in the shares of the Company were:

	31 December 2021		31 December 2020	
Name	Number	% of issued shares	Number	% of issued shares
Richard Law	370,041	0.22%	239,963	0.14%
Christopher Lee	6,091,515	3.64%	6,091,515	3.64%
Claire Thomson	2,907,243	1.74%	2,907,243	1.74%
Yvonne Monaghan	55,000	0.03%	35,000	0.02%
Stuart Warriner*	50,000	0.03%	50,000	0.03%

* Stuart Warriner increased his shareholding to 95,000 shares on 19 January 2022, which increased his percentage of issued shares held to 0.06%.

Directors remuneration for the year commencing 1 January 2022

Executive Directors

At IPO in December 2019, the salaries of the CEO and CFO were set using the median level of pay determined by an independent remuneration expert, based on a cohort of peer companies by market capitalisation and sector. The Committee regards that considering median remains a reasonable approach for the Group to attract and retain appropriately qualified and high calibre individuals to set and implement the Group's strategy. In Q4 21 executive salaries were reviewed for the first time since IPO and the benchmarking exercise carried out by h2glenfern (noted above) indicated that both CEO and CFO base salaries were below market median levels. The Committee considered addressing this to align 2022 base salary, again focusing on paying at a median level. However, given wider stakeholder considerations in the context of the Group's stage on its growth journey, the Committee determined to limit the increase in the salaries of our CEO and CFO to 5.5% and 5.0% of salary respectively, aligned with the approach adopted across the wider Group. In making this decision, the Committee was cognisant of the need to ensure that executive remuneration remains fair and competitive, and the Committee agreed that it may be appropriate for future base salary increases to include a greater percentage uplift, if both the Company and individual performance merited that.

Name	Role	Base salary 2022	Base salary 2021
Christopher Lee	CEO	285 000	270,000
Claire Thomson	CFO	210,000	200,000

2022 annual bonus awards

The annual bonus plan for 2022 will operate in a similar way to 2021.

Long Term Incentive Plan for 2022

Long-term incentive awards are planned for March 2022 and will operate as set out in the policy table above. Awards will be subject to three-year performance conditions and a two year holding period for vested awards.

Non-executive Directors

Name	Role	Committee Chair	Annual Fee 2022	Annual Fee 2021
Richard Law	Chair of the Group Board	Nomination	£100,000	£100,000
Yvonne Monaghan	Non-executive Director	Audit	£45,000	£45,000
Stuart Warriner	Non-executive Director	Remuneration	£45,000	£45,000

Directors' report
For the year ended 31 December 2021

The Directors present their report together with the audited Group Financial Statements of The Pebble Group plc (the "Company") for the year ended 31 December 2021.

Principal Activities and Business Overview
The Company is incorporated and domiciled in the UK with company number 12231361 and with its registered office address at Broadway House, Trafford Wharf Road, Trafford Park, Manchester, United Kingdom M17 1DD. The Company is a public limited company admitted to trading on the AIM market of the London Stock Exchange.

The principal activities and business overview of the Group are set out on pages 4-11 within the Strategic Report which is incorporated by reference and forms part of this Directors' Report.

Business review and future developments
A review of the performance of the Company during the year, including principal risks and uncertainties, key performance indicators and comments on future developments is given in the Strategic Report on pages 38-40.

Results and dividends
The Group recorded revenue in the year of £115.1m (FY 20: £82.4m) and profit after tax of £7.3m (FY 20: £4.1m). No interim dividend has been paid in the year (FY 20: £nil).

The Group's previously stated dividend policy is to make dividend payments of c.30% of profit after tax. This policy remains in place. However, as we continue to believe the opportunities ahead of us remain significant, in particular planned investment into Facilisgroup, we have taken the decision to retain cash in the business and the Directors do not recommend the payment of a final dividend (FY20: nil). The timing of implementing our stated dividend policy will be considered again against the Group's half year 2022 progress and an update provided at that time.

Financial risk management
Information relating to the principal risks and uncertainties of the Group has been included within the Strategic Report on pages 45-49. Further information relating to the financial risk of the Group has been included within note 23, financial risk management.

Going concern
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. Following careful consideration of the base case forecasts and the application of severe but plausible downside scenarios to these forecasts, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate within the level of its current facilities for a period of at least 12 months from the date of this Report. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the Group and Company financial statements.

Further details on going concern are provided in note 2 of the Group financial statements which is incorporated by reference and forms part of this Directors' Report.

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

Richard Law

Christopher Lee

Claire Thomson

Yvonne Monaghan

Stuart Warriner

In accordance with the Articles of Association, a third of the Group Board are required to stand for re-election at the forthcoming AGM; and any Director who has not been re-elected at one of the two previous AGMs is to be proposed for re-election. However, in line with the decision made in advance of the 2021 AGM, the Group Board has again decided that all Directors would retire and seek re-election by the Company's shareholders at the 2022 AGM. The Directors confirm that having conducted a performance evaluation, each Director continues to contribute and demonstrate commitment to their role.

The Directors who held office during the year and as at 31 December 2021 had the following interests in the Ordinary shares of the Company:

Name of Director	Number
Richard Law	370,041
Christopher Lee	6,091,515
Claire Thomson	2,907,243
Yvonne Monaghan	55,000
Stuart Warriner*	50,000

* Stuart Warriner increased his shareholding to 95,000 shares on 19 January 2022, which increased his percentage of issued shares held to 0.06%.

In addition to the interest in Ordinary shares shown above, the Group operates a Long Term Incentive Plan (LTIP) for senior executives, under which awards may be granted over shares in the Company. The maximum number of Ordinary shares which could be issued to Directors in the future under such awards as at 31 December 2021 is shown below:

Name of Director	Number
Christopher Lee	418,623
Claire Thomson	310,091

The Group also operates a Group Sharesave Plan (SAYE) for all employees which Executive Directors may elect to participate in. The maximum number of Ordinary shares which could be issued to Directors in the future under such awards as at 31 December 2021 is shown below:

Name of Director	Number
Christopher Lee	14,754
Claire Thomson	14,754

The market price of the Company's shares at the end of the financial year was 132.50p (31 December 2020: 130.0p) and the range of market prices during the year ended 31 December 2021 was between 120.0p and 160.0p.

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

Directors' insurance

The Company maintains Directors' and Officers' liability insurance for the Directors, which was in force during the full year 2021 and remains in force as at the date of this report.

Significant shareholdings

As at 21 March 2022, the Company has been advised, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority of the following notifiable interests in 3% or more of its voting rights.

Name of Shareholder	Number	Percentage
Liontrust Asset Management	33,229,313	19.8%
BlackRock Investment Management	22,285,903	13.3%
FIL Investments International	16,405,563	9.8%
Capital International, UK	13,469,171	8.0%
Amati Global Investors	10,712,614	6.4%
Aegon N.V.	8,270,615	4.9%
River and Mercantile Asset Management	6,907,300	4.1%
Christopher Lee	6,091,515	3.6%
Janus Henderson Investors	5,305,924	3.2%
Chelverton Asset Management	5,227,500	3.1%

Employees

The Group regularly provides employees with information on matters of concern to them, consulting them or their representatives regularly so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as common goals and awareness of the Group's strategy play a major role in delivering its strategic objectives (see listening to our stakeholders pages 18-21. Second awards under the Group's Long Term Incentive Plan were made on 8 June 2021 in which 57 senior staff across the Group participated. In addition to this, the first implementation of the Group Sharesave Plan (SAYE) was approved and options were granted to 127 employees under the main plan and to 48 employees under the international plan on 6 October 2021, with an option price of £1.22.

The Group recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to such persons, including any employee who becomes disabled, having regard to their particular aptitudes and abilities. Where practicable, disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion. For further information on the Group's DEI policy please see page 31.

Further details on how the Company communicates with its teams as a key stakeholder group and has regard to their interests can be found within the Strategic Report on pages 18-25.

Statement on Engagement with Stakeholders

Investing in and developing our stakeholder relationships is central to our Group values. We believe the success of our strategy depends on our ability to foster effective business relationships with all of our stakeholders. Their interests are important to us and we are committed to maintaining strong, positive relationships with them, built on a foundation of mutual respect, trust and understanding. Further information on our stakeholder engagement can be found within our Strategic Report on pages 18-21 and also in our Section 172(1) statement on pages 22-25 where we provide a high-level overview of how we engage with our stakeholders.

Political donations

It is the Company's policy not to make political donations. The Directors confirm that no donations for political purposes were made during the year (2020: nil).

Share capital and voting

The Company has one class of equity share, 1p Ordinary shares, with full voting, dividend and capital distribution rights, including on winding up. They are non-redeemable. The rights and obligations attaching to these shares are governed by the Companies Act 2006 and the Company's Articles.

As at 31 December 2021, the Company's issued share capital comprised: 167,450,893 Ordinary shares of 1p.

Off-market purchase of Deferred shares by the Company

The Company had a second class of share, 1p Deferred shares, which had arisen from the operation at the time of the Company's IPO of a share ratchet which appeared in the Company's articles of association in force during the period immediately prior to IPO. The Deferred shares carried very limited rights (no voting, dividend or other distribution rights). As the stated intention from their creation upon IPO was that they would be purchased in their entirety by the Company, on 3 June 2021 a special resolution was passed by shareholders at the 2021 AGM, to

Directors' report
For the year ended 31 December 2021

approve the off-market purchase of 12,564,501 Deferred shares of 1p each in the capital of the Company (being all of the shares of that class in issue at that time) by the Company from the eight holders of those shares, in consideration of the payment of £1 to each of such holders, being £8 in aggregate. Completion of that purchase took place immediately after the conclusion of the AGM, at which time the 12,564,501 Deferred shares of 1p each in the capital of the Company were cancelled.

Shareholders' Authority for the Purchase by the Company of its own Shares

At the 2021 AGM, Shareholders authorised the Company to make market purchases of up to a maximum number of Ordinary shares of 16,745,000, which represented approximately 10% of the Company's issued Ordinary share capital on the latest practicable date prior to publication of the 2021 Notice of Annual General Meeting. The minimum price allowed for such purchases is nominal value and the maximum is 5% above the average of the middle market quotations for such shares for the five business days immediately preceding the day of purchase. The Directors intend to seek renewal of this authority, which is due to expire at the conclusion of the 2022 AGM. Further details are given in the 2022 Notice of Annual General Meeting.

Appointment and replacement of Directors and changes to constitution

New Articles of Association were adopted by special resolution passed by shareholders at the 2021 AGM on 3 June 2021. The principal changes were:

(i) removal of all references to Deferred shares, given the purchase and cancellation of those shares, as described above;

(ii) inclusion of express provisions allowing the Company to hold "hybrid" general meetings (including annual general meetings), enabling shareholders to attend the meeting either at a physical location or virtually by means of an electronic facility. Voting at any hybrid general meeting will, unless the Chair of the meeting directs otherwise, be decided on a poll. The new Articles of Association provide that a hybrid general meeting may be adjourned in the event of a technological failure. Consistent with views expressed by the Investment Association and Institutional Shareholder Services, the new Articles of Association do not permit general meetings to be held exclusively on the basis of electronic participation, so a "physical" meeting will still be required in all cases. The provisions regarding hybrid general meetings are intended to provide the board with flexibility to reflect technological advances and changing shareholder sentiment and market practice, in particular in light of the COVID 19 pandemic; and

(iii) more extensive provisions in relation to the possibility of "satellite" general meetings (including annual general meetings), held at more than one location.

The Articles of Association are available on the Company's website.

Rules governing the appointment and replacement of Directors and those relating to the amendments of the Company's Articles of Association are contained within the Articles of Association.

Notice of Annual General Meeting

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

Corporate governance

Our governance structure and the Group's statement on corporate governance can be found in the Corporate Governance section of this report on pages 50-84 which is incorporated by reference and forms part of this Directors' Report. It can also be found on the Company's website.

Forward-looking statements

This Annual Report contains forward-looking statements that involve risk and uncertainties. The Group's actual results could differ materially from those estimated or anticipated in the forward-looking statements as a result of many factors. Information contained in this Annual Report and Accounts relating to the Company should not be relied upon as a guide to future performance.

Events after the end of financial year

There were no events occurring after the balance sheet date that require disclosing in accordance with IAS10, `Events after the reporting period'.

Directors' statement as to disclosure of information to external auditor

The Directors of the Company at the date of the approval of this report confirm that:

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

UK greenhouse gas emissions and energy use

Under the Companies (Directors' Report) and Limited Liabilities Partnerships (Energy & Carbon Report) Regulations 2019, we are mandated to disclose our UK energy use and associated greenhouse gas (GHG) emissions. Specifically, and as a minimum, we are required to report those GHG emissions relating to natural gas, electricity and transport fuel as well as an intensity ratio, under the Streamlined Energy & Carbon Reporting (SECR) Regulations. The Greenhouse gas emissions and energy usage reported below relates to the Group's UK based business operations (Brand Addition Manchester and London):

Emission data	Unit of measure	2021	2020	Variance
Direct (Scope 1) – Natural gas	kgCO2e	62,389	50,645	23%
Indirect (Scope 2) – Purchased electricity (Location based)	kgCO2e	58,696	60,297	-3%
Other (Scope 3)				
– Business travel in employee-owned vehicles	kgCO2e	3,399	15,875	-79%
Total energy consumption	kWh	**571,689**	**571,235**	**0%**
Total emissions	kgCO2e	**124,484**	**126,817**	**-2%**
Intensity ratio kgCO2 per £m of revenue		**1,724**	**2,741**	**-37%**

Energy Improvements

Despite being unable to make any significant savings in 2021, we remain committed to reducing carbon emissions to meet our long-term goals. In 2021 Brand Addition, Manchester installed five new air conditioning units to replace old aging units with more energy efficient models. Old lighting continued to be replaced with LED alternatives as part of ongoing maintenance, but no other large-scale projects were undertaken in 2021. Employees continue to be educated in the importance of being energy conscious when in the office to minimise energy usage. In 2022 we expect to transition the electricity sourced at the Brand Addition London site over to renewable electricity and use renewable gas at our Brand Addition Manchester office and warehouse, which will result in a significant reduction in our UK emissions. With the introduction of our groupwide energy reporting framework and the Scope 3 evaluation which will begin during Q1 22, we expect to be able to publish our full Group greenhouse gas emissions in future reports. For further details on energy reduction see ESG page 33.

Methodology

Brand Addition has followed the 2019 HM reporting Government guidelines and its own internal ISO50001 framework for energy and carbon reporting. The calculation methods have used the 2020 Defra (Department for Environment, Food & Rural Affairs)/BEIS (Department for Business, Energy & Industrial Strategy) conversion factors for company reporting.

Intensity measures

The chosen intensity measurement ratio is the total gross emissions in kg CO2e per £m revenue (kgCO2e/£m) to allow for emissions normalisation.

Independent auditor

The Group's external auditor, PwC, has indicated their willingness to continue in office and in accordance with the recommendation of the Audit Committee, a resolution to reappoint PwC as the external auditor will be proposed at the upcoming AGM.

By order of the Group Board

Lucy Penfold
Group General Counsel & Company Secretary
22 March 2022

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

Registered in England and Wales with company number: 12231361

Statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

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

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

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

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

Directors' confirmation

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

Claire Thomson
CFO
22 March 2022

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

Opinion
In our opinion:

- The Pebble Group plc's Group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the company's affairs as at 31 December 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated statement of financial position and company balance sheet as at 31 December 2021; the consolidated income statement, consolidated statement of other comprehensive income, consolidated and company statement of changes in equity and consolidated cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Our audit approach
Overview
Audit scope

- The Group consists of two operating segments, Brand Addition and Facilisgroup, which are further split into nine reporting components of varying size, in the UK, US and other countries around the world. The Group financial statements are a consolidation of these components.
- We identified four components which required an audit of their complete financial information, being The Pebble Group plc, Brand Addition UK, Brand Addition US and Facilisgroup US.
- Four further components were also subject to audit procedures over specific balances due to their contribution to the Group; this included revenue and cash in Brand Addition China, intangible assets and associated amortisation expense in Facilisgroup Canada, accrued expenses and VAT liability in Brand Addition Hagen, and payroll expense and accrued expenses in Project Amber Bidco Limited.
- As a result of this scoping we obtained coverage over 94% of Group revenue, 84% of Group profit before tax and 86% of Group Adjusted EBITDA.

Key audit matters

- Accuracy of capitalised development costs (Group)

Materiality

- Overall Group materiality: £384,000 (2020: £291,000) based on 2.5% of Adjusted EBITDA.
- Overall company materiality: £345,600 (2020: £261,900) based on 1% of total assets, restricted to 90% of Group financial statement materiality.
- Performance materiality: £288,000 (2020: £218,000) (Group) and £259,200 (2020: £196,400) (company).

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

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

Key audit matters

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

This is not a complete list of all risks identified by our audit.

Impact of Covid-19, which was a key audit matter last year, is no longer included because of the reduced impact of Covid-19 on the Group's operations and results. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Accuracy of capitalised development costs (Group)	
Refer to Note 2k, Note 3b and Note 12 of the Notes to the Group financial statements The Group capitalised costs of £4.3 million during the year ended 31 December 2021, of which £3.7m relates to internally generated costs. There is a risk that capitalised development costs additions are incorrectly valued in the closing balance sheet. This can arise where internally generated costs (such as wages and salaries) are incorrectly capitalised or inaccurately recorded. We focused on this area due to the inherent level of judgement involved in assessing whether costs capitalised in the year meet the recognition criteria of IAS 38 'Intangible assets'.	We assessed and challenged whether the development costs capitalised met the criteria set within IAS 38 'Intangible assets'. We did not identify any material issues in our work in this area. We corroborated a sample of capitalised development costs to source documentation and traced through hours to the taskpoint system, including invoices and contracts of employment, and determined that they had been recorded accurately and met the criteria for capitalisation. We agreed, on a sample basis, that the proportion of internal employee costs capitalised was appropriate based upon their roles and responsibilities and contracts of employment. We assessed management's determination of the date at which certain assets were deemed to be ready for use during the year, and therefore amortisation commenced, and agreed that appropriate judgements were made. We assessed the useful economic lives of the intangible assets as applied by management in determining the amortisation charge and agreed that these lives are appropriate for the assets to which they relate, and have been accurately applied. We evaluated the disclosures included within the financial statements relating to capitalised development costs and found them to be appropriate and complete.

How we tailored the audit scope

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

The Group is split into two main operating segments, being Brand Addition and Facilisgroup. These are further split into nine reporting components, which vary in size, and represent smaller operations in other countries around the world. The Group financial statements are a consolidation of these reporting components, as well as central operations.

We identified four full scope components based on their Adjusted EBITDA contribution: The Pebble Group plc, Brand Addition UK, Brand Addition US and Facilisgroup US.

To obtain sufficient coverage over each financial statement line item in the consolidated financial statements, we also scoped in specific line items in four other, smaller components.

We also audited material consolidation journals. All audit work was performed by the Group audit team.

As a result of this scoping we obtained coverage over 94% of Group revenue, 84% of Group profit before tax and 86% of Group Adjusted EBITDA.

Materiality

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

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

	Financial statements - Group	Financial statements - company
Overall materiality	£384,000 (2020: £291,000).	£345,600 (2020: £261,900).
How we determined it	2.5% of Adjusted EBITDA	1% of total assets, restricted to 90% of Group financial statement materiality
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, Adjusted EBITDA is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. Due to the Group's continuing recovery from the impact of Covid-19, we have returned to using a single-year figure, whereas for the 2020 audit we used a 3-year average of the Group's Adjusted EBITDA from the period 2018 - 2020.	The Company is a non-trading holding Company. The entity's assets relate solely to their ownership of the subsidiary trading companies and thus reflect the Company's purpose. Company materiality has been restricted to ensure it is not greater than 90% of the Group's financial statement materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £235,000 and £360,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £288,000 (2020: £218,000) for the Group financial statements and £259,200 (2020: £196,400) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £19,200 (Group audit) (2020: £14,550) and £17,280 (company audit) (2020: £13,095) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's forecasts and information for the period to December 2023;
- evaluating and assessing the process by which the Group's future cash flow forecasts were prepared;
- agreeing the opening position of the Group's cash flow forecasts to the 2021 audited financial statements;
- reviewing the arithmetical accuracy of management's forecasts;
- assessing and challenging management's key assumptions in the going concern model, including the forecast sales, margins, capital expenditure and other costs assumptions over the period to December 2023;
- evaluating the appropriateness of the severe but plausible cash flow forecast used in management's determination of the going concern basis of preparation, which included an assessment and sensitivity analysis and challenge of the key assumptions underpinning the cash flows throughout the going concern period;
- obtaining the terms of the Group's financing facility and the covenants in place in relation to this facility, and determining that the Group's base case and severe but plausible forecasts show compliance with all covenant conditions for at least 12 months from the date of the approval of financial statements;
- gaining an understanding of the potential mitigating actions that the Directors could implement to meet the requirements of the covenants; and

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

- reviewing management's disclosures in the financial statements. We are satisfied that they are consistent with the assessment performed. We also read the disclosures made in the other information and did not identify any inconsistencies with the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment legislation and health and safety laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, AIM listing rules and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries to increase revenue or Adjusted EBITDA, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- obtaining an understanding of the legal and regulatory framework applicable to the Group and how the Group is complying with that framework;
- discussions with management and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing minutes of meetings of those charged with governance, where available;
- reading any key correspondence with regulatory authorities that has taken place in the year;
- incorporating an element of unpredictability into our audit procedures;
- identifying and testing journal entries, including those with unusual account combinations relating to the principal fraud risks set out above; and
- challenging assumptions and judgements made by management in their significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Studholme

Jonathan Studholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

22 March 2022

Consolidated income statement
For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revenue	4	**115,101**	82,374
Cost of goods sold	5	**(73,128)**	(51,382)
Gross profit		**41,973**	30,992
Operating expenses	5	**(32,107)**	(24,781)
Operating expenses – exceptional	7	**–**	(542)
Total operating expenses		**(32,107)**	(25,323)
Operating profit		**9,866**	5,669
Analysed as:			
Adjusted EBITDA[1]		**15,378**	9,755
Depreciation	13	**(1,986)**	(1,567)
Amortisation	12	**(2,811)**	(1,963)
Share-based payment charge	24	**(715)**	(14)
Exceptional items	7	**–**	(542)
Total operating profit		**9,866**	5,669
Finance expense	8	**(549)**	(700)
Profit before taxation		**9,317**	4,969
Income tax expense	10	**(1,970)**	(889)
Profit for the year		**7,347**	4,080
Basic earnings per share	11	**4.39p**	2.44p
Diluted earnings per share	11	**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 £'000	Year ended 31 December 2020 £'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 £'000	As at 31 December 2020 £'000
ASSETS			
Non-current assets			
Intangible assets	12	**55,674**	54,017
Property, plant and equipment	13	**7,927**	9,102
Deferred tax asset	14	**300**	493
Total non-current assets		**63,901**	63,612
Current assets			
Inventories	15	**10,093**	12,109
Trade and other receivables	16	**29,422**	20,988
Cash and cash equivalents	17	**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	18	**6,388**	7,645
Trade and other payables	18	**–**	930
Deferred tax liability	14	**3,035**	2,637
Total non-current liabilities		**9,423**	11,212
Current liabilities			
Lease liability		**1,384**	1,334
Trade and other payables		**30,065**	25,775
Current tax liability		**20**	–
Total current liabilities	19	**31,469**	27,109
TOTAL LIABILITIES		**40,892**	38,321
NET ASSETS		**74,575**	66,283
Equity and reserves			
Share capital	21	**1,675**	1,800
Share premium	21	**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

The notes on pages 95 to 124 are an integral part of these financial statements.

The financial statements on pages 90 to 124 were approved by the Board of Directors and authorised for issue on 22 March 2022, and were signed on its behalf by:

C Thomson
Director
22 March 2022

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Capital reserve £'000	Merger reserve £'000	Translation reserve £'000	Share-based payments reserve £'000	Retained earnings £'000	**Total equity £'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 24)	–	–	–	–	–	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 24)	–	–	–	–	–	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**

The notes on pages 95 to 124 are an integral part of these financial statements.

Consolidated cash flow statement
For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'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	8	**(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

The notes on pages 95 to 124 are an integral part of these financial statements.

Notes to the Group financial statements

1. General information

The principal activity of The Pebble Group plc (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 is 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.

Notes to the Group financial statements
(continued)

2. Accounting policies (continued)

(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.

2. Accounting policies (continued)

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) Finance costs

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

(k) Intangible assets

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

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

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

Customer relationships

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

Development costs

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

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

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

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

Assets classified as "work in progress" are not amortised as such assets are not currently available for (or in) use. Once 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.

(l) 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.

Notes to the Group financial statements
(continued)

2. Accounting policies (continued)

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

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

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

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

(m) Financial instruments

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Financial assets

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

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

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

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

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

2. Accounting policies (continued)

Financial liabilities

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

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

Financial derivatives

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

(n) Foreign currencies

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

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

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

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

(o) Tangible assets and depreciation

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

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

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

(p) Cash and cash equivalents

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

(q) Inventories

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

(r) Leases

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

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

Notes to the Group financial statements
(continued)

2. Accounting policies (continued)

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

Short-term leases and low value assets

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

(s) Segmental reporting

The Group reports its business activities in two areas being:

- 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.

(t) Employee benefits

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

(i) Short-term benefits

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

(ii) Defined contribution pension plans

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

(u) 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.

(v) Equity, reserves and dividend payments

Share capital

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

Share premium

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

Capital reserve

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

Merger reserve

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

Translation reserve

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

2. Accounting policies (continued)

Retained earnings

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

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

Dividends are recognised when approved by the Group's shareholders or, in the case of interim dividends, when the dividend has been paid. No interim dividend has been paid in the year (2020: £nil). The Directors do not recommend the payment of a final dividend (2020: £nil).

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

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

(a) Accounting estimates

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

Goodwill impairment

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

Goodwill relates to the various acquisitions made and amounts to £35,805,000 as at 31 December 2021. The estimates used in the impairment calculation are set out in note 12. 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 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 12.

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.

Notes to the Group financial statements
(continued)

4. Segmental analysis (continued)

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 £'000	Year ended 31 December 2020 £'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 £'000	Year ended 31 December 2020 £'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.

4. Segmental analysis (continued)

Income statement for the year ended 31 December 2021

	Brand Addition £'000	Facilisgroup £'000	Central operations £'000	**Year ended 31 December 2021 £'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**

Notes to the Group financial statements
(continued)

4. Segmental analysis (continued)

Statement of financial position as at 31 December 2021

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

4. Segmental analysis (continued)

Income statement for the year ended 31 December 2020

	Brand Addition £'000	Facilisgroup £'000	Central operations £'000	Year ended 31 December 2021 £'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

Notes to the Group financial statements
(continued)

4. Segmental analysis (continued)

Statement of financial position as at 31 December 2020

	Brand Addition £'000	Facilisgroup £'000	Central operations £'000	As at 31 December 2020 £'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. Expenses by nature

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Inventory recognised as an expense	**60,881**	45,686
Other cost of sales	**12,247**	5,696
Total cost of sales	**73,128**	51,382
Staff costs (note 6)	**20,239**	15,832
Exceptional items (note 7)	**-**	542
Depreciation of property, plant and equipment (note 13)	**1,986**	1,567
Amortisation of intangible assets (note 12)	**2,811**	1,963
Auditors' remuneration (note 9)	**211**	233
Share-based payment charge (note 24)	**715**	14
Foreign exchange loss/(gain) and movement in foreign exchange derivative contracts	**4**	(47)
Increase in provision for expected credit losses	**13**	12
Other external charges	**6,128**	5,207
Total operating expenses	**32,107**	25,323
Total cost of sales and operating expenses	**105,235**	76,705

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

Other external charges include a credit of £500,000 (2020: £nil) from the use of Government schemes.

6. Staff costs

Personnel costs are analysed below:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Staff costs (including Directors) consist of:		
Wages and salaries	**17,676**	13,861
Social security costs	**2,001**	1,540
Other pension costs	**562**	431
Total staff costs	**20,239**	15,832

Additional staff costs of £3,667,000 (2020: £1,688,000) have been capitalised as intangible assets (see note 12).

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Wages and salaries	**3,615**	1,660
Social security costs	**32**	18
Other pension costs	**20**	10
Total staff costs	**3,667**	1,688

In 2020, savings of £2,000,000 from the use of Government furlough or equivalent schemes were credited to wages and salaries in the year.

Notes to the Group financial statements
(continued)

6. Staff costs (continued)

Defined contribution scheme

The amount recognised in the income statement as an expense in relation to the Group's defined contribution schemes is £562,000 (2020: £431,000). Included within accruals and other creditors is £23,000 (2020: £15,000) for outstanding contributions to the defined contribution schemes.

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

	Year ended 31 December 2021 No.	Year ended 31 December 2020 No.
By function:		
Management	17	13
Sales and distribution	226	221
Administration	218	200
Total employees	**461**	434

Key management compensation

Key management of the Group is considered to be the Board of Directors. Details of Directors' remuneration is disclosed in the Report of the Remuneration Committee on page 76. Remuneration paid to these individuals on an aggregated basis is as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Salaries including bonuses and social security costs	860	541
Pension contributions	–	10
Short term benefits	26	-
Total remuneration	**886**	551

7. Operating expenses - exceptional

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Reorganisation and restructuring	–	430
Transaction costs	–	112
Total exceptional	**–**	542

Exceptional items relate to the following:

- reorganisation and restructuring – in 2020, costs were incurred in Brand Addition as a result of changes made to headcount to align people costs with anticipated ongoing sales volumes; and
- transaction costs – incremental external costs related to the acquisition of software assets and a license in 2020.

8. Finance expense

An analysis is set out below:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Other interest	**168**	267
Unwind of discount finance costs on lease liabilities	**381**	433
Total finance expense	**549**	700

9. Auditors' remuneration

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Fees payable to the Company's auditors for the audit of The Pebble Group plc	**75**	104
Fees payable to the Company's auditors in respect of:		
Audit of the Company's subsidiaries	**136**	129
Total auditors' remuneration	**211**	233

10. Income tax expense

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'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.

Notes to the Group financial statements
(continued)

10. Income tax expense (continued)

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

11. 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 24, 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 24 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.

11. Earnings per share (continued)

The calculation of basic earnings 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 £'000	Year ended 31 December 2020 £'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

Notes to the Group financial statements
(continued)

12. Intangible assets

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

12. Intangible assets (continued)

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 £'000	As at 31 December 2020 £'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 £'000	As at 31 December 2020 £'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.

Notes to the Group financial statements
(continued)

13. Property, plant and equipment

	Fixtures and fittings £'000	Computer hardware £'000	Right-of-use assets £'000	Total £'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 £'000	As at 31 December 2020 £'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

14. Deferred tax assets and liabilities

Deferred tax assets and liabilities are analysed as follows:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Accelerated capital allowances	**64**	15
Other short-term timing differences	**236**	11
On losses	**–**	467
Total deferred tax asset	**300**	493
On intangible assets	**(3,035)**	(2,637)
Total deferred tax liability	**(3,035)**	(2,637)

The above amounts reflect the differences between the carrying and tax amounts as at each year end.

Of the deferred tax balances at year end, £41,000 (2020: £493,000) of the deferred tax asset and £660,000 (2020: £347,000) of the deferred tax liability are expected to be utilised within one year.

Changes during each year are as follows:

	Asset £'000	Liability £'000
Balance at 1 January 2020	167	(1,816)
Tax credit /(charge) in respect of current year	326	(882)
Foreign exchange translation	–	61
Balance at 31 December 2020	493	(2,637)
Tax charge in respect of current year	(260)	(360)
Tax credit directly credited to equity	67	–
Foreign exchange translation	–	(38)
Balance at 31 December 2021	**300**	**(3,035)**

There are unrecognised deferred tax assets relating to capital losses of £9,900,000 (2020: £9,900,000) and in respect of trading losses of £535,000 (2020: £503,000). The Directors have assessed that there will not be sufficient taxable profits available in future periods, for the companies in the Group in which these losses reside, in order to utilise these losses.

15. Inventories

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Finished goods for resale	**10,093**	12,109
Total closing inventories	**10,093**	12,109

Stocks are stated after provisions for impairment of £209,000 (2020: £205,000).

There is no difference between the replacement cost of stocks and carrying value.

Notes to the Group financial statements
(continued)

16. Trade and other receivables

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Amounts falling due within one year:		
Trade receivables not past due	**19,461**	14,256
Trade receivables past due	**4,030**	2,254
Provision for trade receivables	**(57)**	(57)
Trade receivables net	**23,434**	16,453
Contract assets	**780**	675
Other debtors	**1,342**	892
FX derivative	**266**	22
Prepayments	**3,600**	2,946
	29,422	20,988

We have identified £2,008,000 included in trade receivables not past due in 2020 that should have been classified as prepayments and so have amended the above note by £2,008,000 to reclassify those balances between trade receivables not past due and prepayments. The overall trade and other receivables balance has not changed.

Currency analysis

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Sterling	**4,922**	3,391
Euro	**10,579**	8,728
US Dollar	**11,007**	7,387
Chinese Renminbi	**2,079**	932
Other	**835**	550
Total trade and other receivables	**29,422**	20,988

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

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

	Gross £'000	Provision £'000	2021 net £'000	Gross £'000	Provision £'000	2020 net £'000
Trade receivables, other receivables and contract assets:						
– Not yet due	**21,583**	**–**	**21,583**	15,823	–	15,823
– Up to 3 months overdue	**3,092**	**–**	**3,092**	1,778	–	1,778
– 3 to 6 months past due	**700**	**–**	**700**	347	–	347
– Over 6 months past due	**238**	**(57)**	**181**	129	(57)	72
	25,613	**(57)**	**25,556**	18,077	(57)	18,020

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

16. Trade and other receivables (continued)

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

17. Cash and cash equivalents

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Cash and cash equivalents	**12,051**	7,066

Currency analysis

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Sterling	**1,293**	1,232
Euro	**5,030**	2,481
US Dollar	**4,310**	2,103
Other	**1,418**	1,250
Total cash and cash equivalents	**12,051**	7,066

18. Non-current liabilities

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
IFRS 16 lease liability (note 20)	**6,388**	7,645
Deferred consideration	**–**	930
Total non-current liabilities	**6,388**	8,575

Deferred consideration relates to the software asset and license acquisition from a US-based developer in December 2020.

Currency analysis

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Sterling	**2,167**	2,739
Euro	**102**	323
US Dollar	**3,911**	5,225
Chinese Renminbi	**119**	132
Other	**89**	156
	6,388	8,575

Notes to the Group financial statements
(continued)

19. Current liabilities

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
IFRS 16 lease liability (note 20)	**1,384**	1,334
Lease liabilities	**1,384**	1,334
Corporation tax	**20**	–
Current tax liabilities	**20**	–
Trade payables	**14,955**	15,521
Other taxation and social security	**989**	445
Other payables	**533**	255
Accruals	**6,934**	5,611
Contract liabilities	**5,682**	3,591
Deferred consideration	**972**	352
Trade and other payables	**30,065**	25,775
Total current liabilities	**31,469**	27,109

Revenues totalling £2,920,000 were recognised in the year ended 31 December 2021 that were included in the contract liabilities balance as at 31 December 2020 (£1,198,000 recognised in the year ended 31 December 2020 that were included in the contract liabilities balance as at 31 December 2019).

Deferred consideration relates to the software asset and license acquisition from a US-based developer in December 2020.

We have identified £1,113,000 included in trade payables and £1,875,000 included in other payables in 2020 that should have been classified as contract liabilities and so have amended the above note by £2,988,000 to reclassify those balances between trade payables, other payables and contract liabilities. The overall current liabilities balance has not changed.

Currency analysis

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Sterling	**9,836**	9,877
Euro	**11,285**	10,112
US Dollar	**8,600**	6,121
Chinese Renminbi	**1,135**	625
Other	**613**	374
Total current liabilities	**31,469**	27,109

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

20. Leases

Amounts recognised in the Consolidated statement of financial position

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

Right-of-use assets	£'000
Balance at 1 January 2020	4,961
Impact of foreign exchange translation	(57)
New leases recognised in the year	3,853
Depreciation charge for the year	(1,164)
Balance at 31 December 2020	7,593
Impact of foreign exchange translation	25
New leases recognised in the year	461
Disposals	(346)
Depreciation charge for the year	(1,468)
Balance at 31 December 2021	**6,265**

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

Lease liabilities	**As at 31 December 2021 £'000**	As at 31 December 2020 £'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 £'000	Year ended 31 December 2020 £'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 13.

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

Notes to the Group financial statements
(continued)

21. Share capital

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

	Ordinary shares Number	Deferred shares Number	Total share capital £	Share premium £
Ordinary shares of 1p each:				
At 1 January 2021	167,450,893	12,564,501	1,800,154	78,451,312
Purchase of deferred shares	–	(12,564,501)	(125,645)	–
At 31 December 2021	**167,450,893**	**–**	**1,674,509**	**78,451,312**

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

The Company purchased all of the deferred shares on the date of the Company's Annual General Meeting in 2021. 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.

22. Analysis and reconciliation of net cash/(debt)

	1 January 2020 £'000	New leases £'000	Cash flow £'000	Foreign exchange adjustments £'000	31 December 2020 £'000
Cash at bank and in hand	8,861	–	(1,366)	(429)	7,066
Lease liabilities	(6,340)	(3,853)	1,141	73	(8,979)
Net cash/(debt)	2,521	(3,853)	(225)	(356)	(1,913)

	1 January 2021 £'000	**New leases £'000**	**Lease disposals £'000**	**Cash flow £'000**	**Foreign exchange adjustments £'000**	**31 December 2021 £'000**
Cash at bank and in hand	**7,066**	**–**	**–**	**4,792**	**193**	**12,051**
Lease liabilities	**(8,979)**	**(461)**	**360**	**1,360**	**(52)**	**(7,772)**
Net (debt)/cash	**(1,913)**	**(461)**	**360**	**6,152**	**141**	**4,279**

23. Financial risk management and financial instruments by category

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

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

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

Market risk

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

Currency risk

The Group contracts with certain customers and suppliers in Euros and Dollars and manages this foreign currency risk using forward foreign exchange contracts. Hedge accounting is not applied. The Group's exposure to foreign currency risk at the end of the reporting period is set out in notes 16, 17, 18 and 19.

As the Group derives an amount of its earnings from overseas operations, the Group is affected by movements in exchange rates. This would affect both the statement of financial position and the income statement. For a 10% strengthening in the Sterling exchange rate, operating profit would reduce by £513,000 (2020: £866,000) and net assets would decrease by £2,452,000 (2020: £2,131,000). A 10% weakening of the Sterling against the individual functional currencies would have the equal and opposite effect on operating profit and net assets as shown above on the basis that all other variables remain constant.

Interest rate risk, including cash flow interest rate risk

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

Credit risk

The Group's principal financial assets are cash, trade receivables, other receivables and contract assets. Contract assets, when invoiced, are recognised in trade receivables. The credit risk associated with cash is limited, as the counterparties have high credit ratings assigned by international credit rating agencies. The principal credit risk arises therefore from the Group's trade receivables.
In order to manage credit risk; the Directors set limits for customers based on a combination of payment history and third-party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The credit losses historically incurred by the Group have been negligible as referred in note 16.

Liquidity risk

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

The Group policy throughout the year has been to ensure continuity of funding. Short-term flexibility is achieved by revolving working capital facilities.

The Company is party to a Group cross-guarantee banking arrangement, which is a revolving credit facility of £10,000,000 expiring in November 2023. Interest was charged at a rate of LIBOR + 1.9% up to November 2021. From this point, interest is charged at a rate of SONIA + 1.9% and no significant impact is expected from this change. As at year end the balance on the facility was £nil. There is also an overdraft facility of 10,000,000 RMB for Brand Addition (Shanghai) Trading Co. Limited, which is guaranteed by the Company. At year end, the balance on the facility was £nil.

Notes to the Group financial statements
(continued)

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

Summary of financial assets and liabilities by category

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

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Financial assets		
Financial assets measured at amortised cost		
Trade and other receivables	**24,776**	17,345
Contract assets	**780**	675
Cash and cash equivalents	**12,051**	7,066
	37,607	25,086
Financial assets measured at fair value through profit or loss		
FX derivative asset	**266**	22
	37,873	25,108
Financial liabilities		
Financial liabilities measured at amortised cost		
Non-current:		
Lease liability	**(6,388)**	(7,645)
Deferred consideration	**–**	(930)
Current:		
Lease liability	**(1,384)**	(1,334)
Trade and other payables	**(15,488)**	(15,776)
Accruals	**(6,934)**	(5,611)
Contract liabilities	**(5,682)**	(3,591)
Deferred consideration	**(972)**	(352)
	(36,848)	(35,239)
Net financial assets and liabilities	**1,025**	(10,131)
Non-financial assets and liabilities		
Plant, property and equipment	**7,927**	9,102
Goodwill	**35,805**	35,802
Other intangible assets	**19,869**	18,215
Inventory	**10,093**	12,109
Prepayments	**3,600**	2,946
Deferred tax asset	**300**	493
Deferred tax liability	**(3,035)**	(2,637)
Other taxation and social security	**(989)**	(445)
Current tax (liability)/asset	**(20)**	829
	73,550	76,414
Total equity	**74,575**	66,283

The maturity analysis for lease liabilities is presented in note 18. All other financial liabilities have a maturity of less than 12 months (i.e., are all current).

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

Capital management policies and procedures

The Group's capital management objectives are:

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

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

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

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

The gross value of foreign currency forward contracts held at the end of the reporting period was €16,435,000. The contracts mature within one to twelve months of the year end.

24. 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

Notes to the Group financial statements
(continued)

24. Share-based payments (continued)

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

	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

25. Related party transactions

The Directors consider there to be no ultimate controlling party. During the current and prior year, related parties include representatives of major shareholders and parent and intermediate parent entities ultimately owned by the same shareholders.

Details of key management compensation are given in note 6. There are no other related party transactions to be disclosed for the current and prior year.

Company balance sheet
As at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments	5	**112,291**	126,106
Current assets			
Trade and other receivables (including £80,684,000 (2020: £3,000) falling due after more than one year)	6	**81,012**	60,203
		81,012	60,203
Creditors: amounts falling due within one year	7	**(324)**	(198)
Net current assets		**80,688**	60,005
Total assets less current liabilities		**192,979**	186,111
Net assets		**192,979**	186,111
Capital and reserves			
Called up share capital	8	**1,675**	1,800
Share premium		**78,451**	78,451
Capital reserve		**125**	–
Merger relief reserve		**713**	713
Share-based payment reserve	9	**681**	13
Retained earnings		**111,334**	105,134
Total shareholders' funds		**192,979**	186,111

The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to produce its own profit and loss account. The profit for the year dealt within the financial statements of the Company was £6,200,000 (2020: £2,365,000).

The Company financial statements on pages 125 to 130 were approved by the Board of Directors on 22 March 2022 and were signed on its behalf by:

C Thomson
Director
22 March 2022

The notes on pages 127 to 130 form part of these Company financial statements.

Company statement of changes in equity
for the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Capital reserve £'000	Merger relief reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	1,800	78,451	–	713	–	102,769	183,733
Profit for the year	–	–	–	–	–	2,365	2,365
Total comprehensive income for the year	–	–	–	–	–	2,365	2,365
Employee share schemes – value of employee services (note 9)	–	–	–	–	13	–	13
Total transactions with owners, recognised in equity	–	–	–	–	13	–	13
Balance at 31 December 2020	1,800	78,451	–	713	13	105,134	186,111
Profit for the year	–	–	–	–	–	6,200	6,200
Total comprehensive income for the year	–	–	–	–	–	6,200	6,200
Purchase of deferred shares	(125)	–	125	–	–	–	–
Employee share schemes – value of employee services (note 9)	–	–	–	–	601	–	601
Deferred tax on employee share schemes	–	–	–	–	67	–	67
Total transactions with owners, recognised in equity	(125)	–	125	–	668	–	668
Balance at 31 December 2021	**1,675**	**78,451**	**125**	**713**	**681**	**111,334**	**192,979**

The notes on pages 127 to 130 form part of these Company financial statements.

Notes to the Company financial statements

1. General information

The Pebble Group plc (the "Company") was incorporated in the United Kingdom on 27 September 2019 and is a public company limited by shares, registered and domiciled in England 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. The Company's principal activity is that of a holding company.

2. Accounting policies

(a) Reporting framework

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

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

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

(b) Financial Reporting Standard 102 – reduced disclosure exemptions

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

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

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

(c) Company profit and loss account

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's profit for the year was £6,200,000 (2020: £2,365,000). There are no material differences between the profit in the current year and its historical cost equivalent. Accordingly, no note of historical cost profits and losses has been presented.

(d) Going concern

The Company meets its day-to-day working capital requirements through cash generated from the Group in which it holds its investment and utilising its overdraft facility to fund peak seasonal demands. The Directors have prepared cash flow forecasts and projections for the two years ending 31 December 2023 for the Group; see the going concern disclosure within the Group financial statements. Based on this, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Company financial statements.

(e) Dividend distribution

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

(f) Investment in subsidiary undertakings

Investments in subsidiaries are stated at cost less accumulated impairment.

(g) 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 Company'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.

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.

(h) 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.

Notes to the Company financial statements
(continued)

2. Accounting policies (continued)

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

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

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

(l) Merger relief reserve
The merger relief reserve was created during 2019 as a result of the share-for-share exchange under which The Pebble Group plc became the parent undertaking prior to the Initial Public Offering ("IPO"). The merger relief reserve includes the premium received on the issue of share capital in the share-for-share exchange.

(m) Retained earnings
Retained earnings includes all current and prior period retained profits and losses.

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

(n) Cash and cash equivalents
Cash and cash equivalents comprise cash balances.

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

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

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

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

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

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

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

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

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

The Directors performed their assessment and concluded that no impairment indicators existed at 31 December 2021 and, as such, a full impairment review over the Company's investments in subsidiaries and intercompany receivables was not performed.

4. Remuneration of directors and auditor
Details of Directors' remuneration are shown in the Directors' Remuneration Report on page 76 of the Group financial statements. Details of auditor's remuneration are shown in note 9 of the Group financial statements. The Company has no employees (2020: none).

5. Investments

	£'000
Cost and carrying amount	
At 1 January 2021	126,106
Movement relating to share options	496
Redemption of preference shares	(14,311)
At 31 December 2021	**112,291**

The Company held 13,711,749 A preference shares of £0.00001 each and 599,417 B preference shares of £0.00001 in The Pebble Group (Holdings) Limited which were issued at a total price of £14,311,166. Dividends accrued on the preference shares at a 10% compounding rate which was non-discretionary, and they were mandatorily redeemable at a fixed future date. On 7 December 2021 the Company and The Pebble Group (Holdings) Limited agreed to an early redemption of the preference shares and therefore the investment value has been reduced by £14,311,166. This amount plus the accrued dividends of £3,146,203 have been set off against an intercompany payable to The Pebble Group (Holdings) Limited.

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

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

Name	Registered address	Principal activity	Class of share	Percentage holding
The Pebble Group (Holdings) Limited	Broadway	Holding company	Ordinary	100%
Project Amber Bidco Limited	Trafford Wharf Road	Holding company	Ordinary	100%
H.I.G Milan UK Topco Limited	Manchester	Holding company	Ordinary	100%
H.I.G Milan UK Midco Limited	M17 1DD	Holding company	Ordinary	100%
H.I.G Milan UK Bidco Limited		Holding company	Ordinary	100%
Brand Addition Limited		Promotional merchandise	Ordinary	100%
Product Plus International Limited		Non-trading	Ordinary	100%
Gearworks Limited		Non-trading	Ordinary	100%
Brand Addition Asia Limited	Unit 1605 16th Floor Tower 3 Enterprise Square No. 9 Sheung Yuet Road Kowloon, Hong Kong	Promotional merchandise	Ordinary	100%
Brand Addition Ireland Limited	Unit G2 Calmount Business Park Ballymount, Dublin 12	Promotional merchandise	Ordinary	100%
Brand Addition Reklam Urunleri Dagitim ve Ticaret Limited Sirketi	Buyukdere Caddesi Meydan Sokak Spring Giz Plaza Kat:13 Sisli-Istanbul, Turkey	Promotional merchandise	Ordinary	100%
Brand Addition (Shanghai) Trading Co., Limited	Unit 903-905 T2 Building, VIPARK 500 Xinlong Road Minhang District Shanghai, China	Promotional merchandise	Ordinary	100%
H.I.G. Milan Germany Bidco GmbH	Heydastrasse 13-15	Holding company	Ordinary	100%
Brand Addition GmbH	58093 Hagen, Germany	Promotional merchandise	Ordinary	100%
The Pebble Group US Bidco Inc.	909 North 20th Street	Holding company	Ordinary	100%
Gateway CDI Inc.	Saint Louis, MO 63103	Promotional merchandise	Ordinary	100%
Facilisgroup LLP	1600 S Brentwood Blvd., Ste 800, Brentwood, MO 63144	Promotional merchandise service provider	Ordinary	100%
Facilisgroup Canada Inc.	5320 Canotek Road Gloucester, ON K1J 9C1	Promotional merchandise service provider	Ordinary	100%

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

Notes to the Company financial statements
(continued)

6. Trade and other receivables

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	**270**	60,135
Prepayments	**58**	65
	328	60,200
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	**80,588**	–
Deferred tax asset	**96**	3
	80,684	3
	81,012	60,203

Amounts owed by group undertakings due within one year are unsecured, have no fixed date of repayment and are repayable on demand.

Amounts owed by group undertakings due after more than one year are unsecured, repayable in greater than one year and bear interest at market rates.

The deferred tax asset recognised relates to share-based payments.

7. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Accruals	**324**	198
	324	198

The Company is party to a Group cross-guarantee banking arrangement, which is a revolving credit facility of £10,000,000 expiring in November 2023. Interest was charged at a rate of LIBOR + 1.9% up to November 2021. From this point, interest is charged at a rate of SONIA + 1.9% and no significant impact is expected from this change. As at year end the balance on the facility was £nil. There is also an overdraft facility of 10,000,000 RMB for Brand Addition (Shanghai) Trading Co. Limited, which is guaranteed by the Company. At year end, the balance on the facility was £nil.

8. Called up share capital

Details of movements in shares are set out in note 21 to the Group financial statements.

9. Share-based payments

Details of share-based payments are set out in note 24 to the Group financial statements.

10. Related party transactions

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

Directors' transactions

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

Financial calendar

Financial year end	31 December 2021
Preliminary announcement of full-year results	22 March 2022
Publication of Annual Report and financial statements	22 April 2022
Annual General Meeting	24 May 2022
Preliminary announcement of half-year results	Early September 2022
Financial year end	31 December 2022

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