19 March 2024

The information communicated within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No.596/2014 which is part of UK law by virtue of the European Union (withdrawal) Act 2018. The information is disclosed in accordance with the Company's obligations under Article 17 of the UK MAR. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

THE PEBBLE GROUP PLC

("The Pebble Group", the "Group" or the "Company")

AUDITED FULL YEAR RESULTS 2023

Performance in line with revised expectations and well-placed for return to growth

The Pebble Group, a leading provider of digital commerce, products and related services to the global promotional products industry, announces its audited results for the year ended 31 December 2023 ("FY 23").

The results are in line with revised expectations as set out in the trading update on 22 November 2023 as a result of continued growth in Facilisgroup and reduced revenue at Brand Addition stemming from a contraction in spend among Technology and Consumer clients.

Commenting on the results, Chris Lee, Chief Executive Officer of Pebble Group said: "Both Facilisgroup and Brand Addition retain attractive fundamental strengths, are differentiated in their respective markets and have clear strategic plans to grow in the very large global but fragmented promotional products industry. With a robust balance sheet that has enabled investment in new technology product initiatives and further development on its progressive dividend policy, the Group remains well-placed to return to growth in 2024, with exciting opportunities to scale further. Trading in 2024 has started in line with management's expectations."

- Group revenue of £124.2m (FY 22: £134.0m), 7% behind the prior year.
- Facilisgroup: Annual Recurring Revenue grew by 12% to USD21.2 million (FY 22: USD19.0m) with attractive Adjusted EBITDA margins of 50% (FY 22: 54%).
- Brand Addition: Revenue decreased by 9% to £106.3m (FY 22: £117.4m) due to impact of reduced spend from the Technology and Consumer sectors.
- Gross profit margin increased 4.3 percentage points to 43.6% (FY 22: 39.3%) as a result of increased value delivered by Brand Addition to its clients and the growing proportion of Facilisgroup as a percentage of overall Group sales.
- Strong balance sheet with net cash of £15.9m at 31 December 2023, an increase of £0.8m compared with 31 December 2022.
- Further development on progressive dividend policy, with the Board proposing to increase dividend to 1.2 pence per share at FY 23 (FY 22: 0.6 pence per share) and intending to implement in the near-term a share buy-back programme in the Company's Ordinary Shares up to a maximum aggregate consideration of £5.0m.

Financials

Statutory results	**FY 23**	FY 22	Change
Revenue	**£124.2m**	£134.0m	-7%
Gross profit margin	**43.6%**	39.3%	+4.3ppt
Operating profit	**£8.0m**	£10.2m	-22%
Profit before tax	**£7.4m**	£9.7m	-24%
Basic earnings per share	**3.46p**	4.55p	-24%

Other financial highlights	FY 23	FY 22	Change
Adjusted EBITDA[1]	**£16.0m**	£18.0m	-11%
Net cash[2]	**£15.9m**	£15.1m	+5%
Adjusted basic earnings per share[3]	**4.60p**	5.78p	-20%
Dividend	**1.2p**	0.6p	+100%

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

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

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

Online investor presentation

The management team is hosting an online investor presentation with Q&A at 3:00pm on Thursday, 21 March 2024. To participate, please register with PI World at: https://bit.ly/PEBB_FY23_results_webinar

Enquiries:

The Pebble Group
Chris Lee, Chief Executive Officer
Claire Thomson, Chief Financial Officer
+44 (0) 750 012 4121

Temple Bar Advisory (Financial PR)
Alex Child-Villiers
Sam Livingstone
+44 (0) 207 183 1190
pebble@templebaradvisory.com

Grant Thornton UK LLP (Nominated Adviser)
Samantha Harrison / Harrison Clarke / Ciara Donnelly
+44 (0) 207 184 4384

Berenberg (Corporate Broker)
Ben Wright / Mark Whitmore / Richard Andrews
+44 (0) 203 207 7800

About The Pebble Group

The Pebble Group is a provider of digital commerce, products and related services to the global promotional products industry, comprising two differentiated businesses, Facilisgroup and Brand Addition, focused on specific areas of the promotional products market. For further information, please visit www.thepebblegroup.com.

CHAIR'S REPORT

Overview

The Group continued to make good progress against its long-term strategy to be a key influencer in the promotional products industry globally through the provision of its digital commerce technology to independent promotional products distributors and the sourcing and supply of high quality, sustainable and innovative products to many of the world's leading brands.

The Group achieved revenue in the year of £124.2m (FY 22: £134.0m) and adjusted EBITDA of £16.0m (FY 22: £18.0m) which was in line with the guidance given in our trading update issued on 22 November 2023.

The Group balance sheet remains strong with Group net cash at 31 December 2023 of £15.9m, up from £15.1m a year earlier. The strong cash position enabled the business to pay a maiden dividend of 0.6 pence per share for FY 22 and we propose to increase this to 1.2 pence per share for FY 23.

The Group's divisions, Facilisgroup and Brand Addition, continue to invest in new technology, with the objective of creating market leading differentiation to win new clients and underpin the Group's long-term growth.

Our market and strategy

Facilisgroup and Brand Addition, together process transactions either directly or indirectly which accounts for approximately 3% of all promotional products sold globally and approximately 6% of promotional product transactions in our strategically important North American market.

This gives the Group a good level of insight into the trends and development of the promotional products market and enables us to plan our future strategy accordingly.

Our market insight shows that:

- the global market for promotional products is very fragmented. The majority of the market is being served by owner managed SMEs with a high concentration in North America. As technology proliferates, SME distributors have a need for digital commerce platform technology to support their efficiency and growth; and
- high quality, sustainable promotional products continue to be a key strategic component of the brand building, employee engagement and customer reward strategies of the majority of large businesses and major brands around the world.

The Group addresses these market needs through its Facilisgroup and Brand Addition divisions, respectively.

Our businesses

Facilisgroup

Facilisgroup revenue grew by 9% over the year on a constant currency basis to $22.2m (FY 22: $20.4m) which equated in Sterling terms to £17.9 (FY 22: £16.6). EBITDA margin performance remained robust at circa 50%.

The strong profitability and cash generated by Facilisgroup is enabling the business to invest into new technology aimed at enabling Facilisgroup to become the leading provider of digital commerce software and services to the large number of independent promotional products distributors across North America. The vision of the Facilisgroup team is a clear and compelling one, which represents a significant strategic opportunity for the Group.

Brand Addition

Brand Addition sells promotional products to many of the world's largest brands with a focus on quality, sustainability and innovative design. Sales in the year to 31 December 2023 were £106.3m down from £117.4m in the previous year. The business retained all major clients during the year and, through its positive differentiation, was able to increase its gross margins by 3.4 percentage points. However, the mix of business across Brand Addition was skewed more towards underperforming rather than overperforming sectors, particularly in the second half of the year. This resulted in a shortfall against the revenue expectations at the start of the year.

Dividend

Last year the Group announced the payment of its first dividend since the IPO and said it was the intention of the Board for this to be progressive, moving in the medium-term to our stated position at IPO of making dividend payments each year of circa 30% of profit after tax. In line with that policy, the Group is proposing an increase in the final dividend to 1.2 pence per share for the financial year ended 31 December 2023.

Environmental, Social and Governance

Investing in achieving our strategy with a sustainable impact is central to the Group's values and our ESG priorities remain high on the Group Board's agenda. We publish our third ESG report in March 2024 to provide a comprehensive review of the meaningful action we are taking, which we believe, is an opportunity to differentiate the Group by sharing the progress we have made against our commitments.

In the ESG section of our 2023 Report and Accounts, we update on the continued progress the Group is making in reducing its environmental impact and in engaging with suppliers to encourage the reduction in their Greenhouse Gas emissions. In October 2023, the Group was awarded The Race Equality Code Quality Mark which recognises our efforts and future commitments to Diversity, Equity and Inclusion (DEI) in the workplace.

From a governance perspective, the appointment of David Moss as our new Non-executive Director to enhance the Group Board's technology experience and skillset was a particular highlight. David was a co-founder and CTO of Blue Prism which was an AIM listed company for 6 years before being bought by SS&C Technologies Holdings, Inc. in 2022.

Team and Board

At The Pebble Group, the Group Board and the Executive Leadership Team believe that the businesses' accomplishments are achieved because of its talented and diverse teams. The Group is led by a Board with a wide diversity of skills and experience, supported by highly engaged and motivated teams across the businesses. We encourage diversity, actively engage with our teams on an ongoing basis, and are focussed on investing in and developing our people.

Outlook

Trading in 2024 is progressing in line with management expectations. In light of the Board's confidence in the return to growth and to enhance shareholder returns, the Board intends in the near-term to implement a share buy-back programme in the Company's Ordinary Shares up to a maximum aggregate consideration of £5.0m. A further announcement will be made in due course.

We look forward to providing a further update on progress at our Annual General Meeting on 30 April.

Richard Law
Chair
18 March 2024

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

The Group's results for the year ended 31 December 2023 are in line with the revised expectations as set out in our trading update of 22 November 2023.

Group revenue was £124.2m, a decrease of 7% on the prior year (FY 22: £134.0m), being the net effect of the continued growth in Facilisgroup and reduced sales with a particular cohort of clients at Brand Addition. We describe the nuances of this in the Business Review below.

Group Adjusted EBITDA was £16.0m, a decrease of 11% (FY 22: £18.0m). Net cash after a dividend payment of £1.0m in June 2023 remains strong, being £15.9m at 31 December 2023 (31 December 2022: £15.1m).

Acknowledging the disappointment of reporting FY 23 results lower than FY 22, it is important to reiterate that there has been no change to the underlying opportunities for our businesses. In the Business Review, I set out why I believe the intrinsic strength and growth prospects for both Facilisgroup and Brand Addition remain compelling.

Business Review

Facilisgroup: *providing a digital commerce platform for promotional products businesses in North America*

£'m	**FY 23**	FY 22
ARR	**£17.0m**	£15.5m
Other revenue	**£0.9m**	£1.1m
Total revenue	**£17.9m**	£16.6m
Gross profit	**£17.9m**	£16.6m
Gross profit margin	**100%**	100%
Adjusted EBITDA	**£8.9m**	£9.0m
Operating profit	**£4.4m**	£5.0m

FY 23 revenue of £17.9m (FY 22: £16.6m) was 8% ahead of the prior year with Annual Recurring Revenue (ARR) in USD (Facilisgroup home currency) of USD21.2m (FY 22: USD19.0m), representing 12% growth over the prior year. The vast majority of revenue is derived from our market leading Syncore technology product. The activities that underpinned the FY 23 revenue and heavily influence the future recurring revenue stream are:

- Partner numbers: 7.6% increase to 242 at 31 December 2023 (31 December 2022: 225);
- Gross Merchandise Value (GMV): FY 23 USD1.42bn (FY 22: USD1.40bn). This breaks down as a 9% growth in H1 23 and a 5% decline in H2 23 as the trading environment of our Partners toughened; and
- Spend with our Preferred Suppliers: FY 23 USD0.47bn (FY 22: USD0.46bn). Moving in line with the dynamics of Partner GMV, it is the reduction of these transactions in H2 23 that slowed the rate of revenue growth of Facilisgroup in FY 23.

A major strength of Facilisgroup is its revenue to profit conversion. This continued in 2023 with Adjusted EBITDA margins of 50% (FY 22: 54%) achieved while investing in our team, including product sales and marketing, to support Partner retention and bringing our new technology to market.

Operating profit was £4.4m (FY 22: £5.0m), reflecting the amortisation charge on our investment in new technology as we expense a proportion of the products that are yet to make a material impact on our revenues.

Facilisgroup has a highly attractive business model. Building on the financial results described above, the business has consistently produced strong SaaS metrics. To illustrate this, at the end of FY 23, there was:

- 17%, four-year Revenue Compound Annual Growth Rate;
- 50%, Adjusted EBITDA margin;
- 25%, Operating profit margin;
- 102%, Net Retention Rate on Syncore technology subscription to Partners; and
- 97%, Partner Retention Rate.

Approach to the market

Facilisgroup Partners are attracted to the business through its provision of a combination of technology, supply chain network and community belonging. The GMV being managed through our platform in 2023 was USD1.4bn representing circa 6% of the USD25bn North American Promotional Products industry, giving the business great market insight.

Our strategy is to scale Facilisgroup revenues firstly, via the continued development and responsible growth in market share of our established Syncore product. Our expectation is that the ongoing capital investment relating to Syncore will continue at its current amount of circa £2.5m per annum, being approximately 15% of FY 23 revenue.

Secondly, we have chosen to allocate a further proportion of the business's own cash generation into developing new technology products. These are aimed at both widening the opportunity to provide existing Partners with other services, plus expanding our addressable market. This capital investment was approximately £3.0m in FY 23. Looking forward, the level of the investment into these new products will be entirely based upon our assessment of the market, customer feedback and the revenues these investments will generate.

Our current go to market strategy is through:

- Syncore: our established order workflow product focused on high quality, growing SME distributors in North America with sales of greater than USD2m. We estimate there is a total addressable market of circa 1,600 businesses against the 242 contracted at 31 December 2023 (31 December 2022: 225);
- Commercio Stores: built specifically to support the needs of the promotional products industry, Commercio Stores allows distributors of all sizes to create ecommerce stores for their customers that can either stand alone or integrate into our order workflow technology. At 31 December 2023 there were 56 paying customers using this technology (31 December 2022: 130 non-paying); and
- Orders: our order workflow product for the many thousands of smaller distributors with less than USD2m sales is in development. At 31 December 2023 there were 45 non-paying Beta customers using this technology (31 December 2022: Nil).

Trading in 2024 has started in line with management expectations. Partner numbers at 18 March 2023 were 236 as a result of 5 Partners being acquired and the exit of 3 Partners with a lower than average value of GMV. The key metrics of GMV transactions and spend through Preferred Suppliers to date, are both ahead of the same period in 2023.

Brand Addition: *providing promotional products and related services under contract to many of the world's most recognisable brands*

£'m	**FY 23**	FY 22
Revenue	**£106.3m**	£117.4m
Gross profit	**£36.3m**	£36.1m
Gross profit margin	**34.1%**	30.7%
Adjusted EBITDA	**£9.5m**	£11.5m
Operating profit	**£6.2m**	£8.0m

FY 23 revenue of £106.3m (FY 22: £117.4m) was 9% lower than the prior year. The revenue decrease in the year was concentrated on our clients that operate in the Technology and Consumer sectors. Importantly, client retention remains strong. Technology sector client budgets were affected as they reduced their employee numbers and Consumer sector clients spend has reduced in the last two years following a peak in 2021. These clients all remain contracted with Brand Addition, are amongst the best-known brands in the world, and continue to deliver a repeatable revenue stream over the medium-term.

Reviewing the business beyond a single set of results, Brand Addition has built close, long-term client and supplier relationships. As brand control, product efficacy and international consistency becomes even more important to large global brands, Brand Addition has provided additional services such as multi-country service delivery, global distribution management and sustainable product initiatives. The value placed by clients on these additional services is demonstrated by the increase in its gross margins to 34.1% (FY 22: 30.7%). We therefore revise up our gross margins long-term average to circa 33% from the previously guided 30%.

Despite the recent contraction in demand in the Technology and Consumer client sectors in the year, the underlying strengths and growth prospects of Brand Addition remain highly attractive. To illustrate this, at the end of FY 23, there was:

- a large total addressable market of circa $4 billion;
- circa 800 global opportunities on Brand Addition's target list;
- excellent client retention rates to well-known global brands;
- highly repeatable revenues over the medium-term; and
- a 3.4%, increase in margins reflecting the widening of services delivered to clients.

Approach to the market

There is a large addressable market for the specialist services offered by Brand Addition. International corporates use promotional products to engage with their employees, customers, and wider stakeholders. This includes Consumer Promotions to support businesses in driving their own sales volumes and Corporate Programmes to support employee engagement and brand building activities.

These categories of marketing spend are outsourced under contract because brands wish to have control over:

- thoughtful and creative bespoke products to carry their brand and engage their stakeholders;
- product quality and supply chain assurances to protect their brand integrity; and
- a consistent international strategy.

Trading in 2024 has started in line with management expectations with the sector specific sales challenges experienced in H2 23 currently following anticipated order intake trends.

People and Environmental, Social and Governance

Our Group comprises of approximately 560 people based across multiple geographies. Our team's talent and dedication in developing long-term relationships with our Partners, clients and suppliers is the foundation of our businesses' success. Our people are a consistent strength and my thanks go to everyone at Facilisgroup, Brand Addition and The Pebble Group.

The Group Board also sends its appreciation to Ashley McCune who left Facilisgroup in October 2023 after 16 years with the business, culminating as Facilisgroup President from 2020 until her departure. This change led to me taking a larger role in the day-to-day activities within Facilisgroup. I have enjoyed deepening my operational involvement there and building close relationships with Partners, Preferred Suppliers and the team. As a result, I am even more drawn to the opportunities ahead for Facilisgroup and have plans to further strengthen the team in 2024.

We remain firmly committed to being a leader in the way we manage our businesses for the long-term and continue to embed our ESG strategy across our Group. In 2023, we have made good progress against a wide number of topics. Our Chair focusses on some of those highlights in his report and we will publish our third ESG report in March 2024.

Outlook

Trading in 2024 has started in line with management expectations at both of our businesses. We are concentrating on progressing our stated strategies.

Chris Lee
Chief Executive Officer
18 March 2024

CHIEF FINANCIAL OFFICER'S REVIEW

Overview

FY 23 was a year for the Group where progress in Facilisgroup was overshadowed by a contraction in demand in the Technology and Consumer client sectors of Brand Addition. Group revenue of £124.2m (FY 22: £134.0m) was 7% below FY 22 and Adjusted EBITDA of £16.0m (FY 22: £18.0m) was 11% below. Operating profit was £8.0m (FY 22: £10.2m). The Group Board is pleased to announce the continuation of the dividend policy implemented in FY 22 and is proposing a final dividend of 1.2 pence per share for FY 23 (FY 22: 0.6 pence per share), payable in May 2024.

The Group's balance sheet remains strong and its liquidity position continues to be robust with cash balances of £10.0m at 18 March 2024 and no amounts drawn down on the Company's £10m committed revolving credit facility.

£'m	**FY 23**	FY 22
Revenue	**124.2**	134.0
Gross profit	**54.2**	52.7
Gross profit margin	**43.6%**	39.3%
Adjusted EBITDA	**16.0**	18.0
Depreciation and amortisation	**(7.5)**	(6.5)
Share-based payment charge	**(0.5)**	(1.3)
Operating profit	**8.0**	10.2
Net finance costs	**(0.6)**	(0.5)
Profit before tax	**7.4**	9.7
Tax	**(1.6)**	(2.1)
Profit for the year	**5.8**	7.6
Weighted average number of shares	**167,412,949**	167,450,893
Adjusted Basic EPS	**4.60p**	5.78p
Basic EPS	**3.46p**	4.55p

Revenue

Group revenue for FY 23 was £124.2m (FY 22: £134.0m). Facilisgroup revenue was £17.9m (FY 22: £16.6m). This represents an increase of 8% in GBP and 9% in Facilisgroup's home currency of USD. ARR from Partner and customer subscriptions for our technology accounted for this increase, through a combination of additional fees from existing and new Partners. Revenue in Brand Addition was £106.3m (FY 22: £117.4m). The reduction in revenue was concentrated in our Technology and Consumer clients which combined were £16.9m behind FY 22, offset in part by £3.6m of revenue growth delivered by new client contracts won in FY 22 and FY 23 and the robust performance of the more traditional sectors of Transport and Engineering which grew by £2.2m.

Gross profit

Gross profit as a percentage of revenue increased during the year by 4.3 p.p.t to 43.6%. Of the total increase, 2.9 p.p.t relates to the improvement in gross margins at Brand Addition as the business raised prices to cover the investment it has made to deliver increasingly complex services to its clients. We expect this to be a permanent change moving the businesses long-term gross margins to circa 33%. The balance of improvement reflects the increasing proportion of Facilisgroup as part of overall Group sales. This improvement is expected to continue as Facilisgroup scales.

Adjusted EBITDA

Adjusted EBITDA for FY 23 was £16.0m (FY 22: £18.0m). The reduction was made up as follows:

- Facilisgroup; £0.1m reduction as incremental revenues were invested in sales and marketing to continue to drive sales growth. The business has excellent EBITDA returns of circa 50% demonstrating its ability to retain strong margins whilst growing revenue;
- Brand Addition; £2.0m reduction as the volume reductions and investment in business services discussed above translated to EBITDA; and

- Central costs; £0.1m reduction in costs in the year as incremental advisors' fees were offset by a reduction in payroll costs as no bonuses were payable in respect of FY 23.

Depreciation and amortisation

The total charge in the year was £7.5m (FY 22: £6.5m), of which £5.2m (FY 22: £4.2m) 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 primarily a result of the Group's stated decision to increase capital expenditure in its proprietary technology at Facilisgroup.

Share based payments

The total charge for the year under IFRS 2 "Share-based payments" was £0.5m (FY 22: £1.3m). This charge related to the 2020, 2021, 2022 and 2023 awards made under the 2019 Long Term Incentive Plan and Save As You Earn scheme. The reduction against FY 22 relates to the 2021 award for which the performance period ended on 31 December 2023. As Group trading in the year was below expectation, forecast performance conditions for the EPS element of this award were not met giving rise to a reduction in the charge associated with this award.

Operating profit

Operating profit for the year was £8.0m (FY 22: £10.2m) after the impact of the reduction in sales volumes and investment in new technology products and services noted above and charging incremental depreciation and amortisation of £1.0m

Finance costs

Net costs of £0.6m in the year (FY 22: £0.5m) include £0.4m interest costs on leases capitalised in accordance with IFRS 16 (FY 22: £0.4m), £0.1m interest in relation to the Group's £10.0m committed RCF facility (FY 22: £0.1m) and £0.1m costs of refinancing this facility.

Taxation

The total taxation charge was £1.6m (FY 22: £2.1m) giving rise to an effective rate of tax of 21.6% (FY 22: 21.6%). The effective rate of tax was lower than the UK standard rate of taxation due to the proportion of profit earned by the Group in overseas jurisdictions where the applicable rate of corporation tax was lower than that in the UK. The Group is subject to taxes in the UK, Ireland, Germany, Turkey, US, Canada, China and Hong Kong.

Earnings per share

The earnings per share analysis in note 6 covers both adjusted earnings per share (profit attributable to equity shareholders 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 basic earnings per share (profit attributable to equity holders divided by the weighted average number of shares in issue during the year). Adjusted earnings was £7.7m (FY 22: £9.7m), meaning adjusted basic earnings per share was 4.60 pence per share (FY 22: 5.78 pence per share), a decrease of 1.18 pence per share. Basic earnings per share was 3.46 pence per share (FY 22: 4.55 pence per share), a decrease of 1.09 pence per share.

Dividends

In FY 23, the Group Board began the implementation of a progressive dividend policy where it announced its intention in the medium-term to move towards its stated position at IPO of making dividend payments of c.30% of profit after tax. For FY 23, the Board is proposing the payment of a final dividend of 1.2 pence per share (FY 22: 0.6 pence per share), a distribution totalling £2.0m, or 34% of profit after tax. This will be paid on 7 May 2024, subject to shareholder approval, to those shareholders on the register of members on 5 April 2024. The shares will trade ex-dividend on 4 April 2024.

Cash flow

The Group had a cash balance of £15.9m at 31 December 2023 (FY 22: £15.1m).

Cash flow for the year is set out below.

£'m	**FY 23**	FY 22
Adjusted EBITDA	**16.0**	18.0
Movement in working capital	**0.7**	(3.4)
Capital expenditure	**(8.6)**	(7.4)

Deferred consideration	**-**	(1.0)
Leases	**(1.6)**	(1.7)
Operating cash flow	**6.5**	4.5
Tax paid	**(2.5)**	(1.7)
Net finance cash flows	**(0.6)**	(0.5)
Dividend paid	**(1.0)**	-
EBT purchase of own shares	**(0.4)**	-
Exchange (loss)/gain	**(1.2)**	0.7
Net cash flow	**0.8**	3.0

Operating cash flow

Operating cash flow before tax payments and net finance costs increased by £2.0m in the year to £6.5m. This increase is due to the unwinding of working capital as sales volumes in Brand Addition reduced. This remains an important metric for the Group and is monitored to ensure underlying cash flow remains sufficiently strong to underpin the short-term additional investment required to deliver the Group's ambitious plans for growth.

Balance sheet and shareholders' funds

Net assets increased in the year by £2.9m, the balance sheet is summarised below:

£'m	**FY 23**	FY 22
Non-current assets	**69.9**	69.8
Working capital	**13.0**	13.7
Cash	**15.9**	15.1
Lease liabilities	**(7.6)**	(9.1)
Other net liabilities	**(2.7)**	(3.9)
Net assets	**88.5**	85.6

Non-current assets

Non-current assets are the most significant balance sheet category and comprise the following:

£'m	**FY 23**	FY 22
Goodwill	**36.0**	36.1
Customer relationships	**8.0**	9.0
Software development costs	**17.3**	14.9
Property, plant & equipment	**8.3**	9.5
Deferred tax assets	**0.3**	0.3
Non-current assets	**69.9**	69.8

Amounts classified as goodwill and customer relationships relate to historic acquisitions made by the Group. Software development costs, which include £5.7m (FY 22: £5.1m) investment in the year into Facilisgroup technology products, arise from ongoing investment into Group proprietary software and, in particular, investment into the Facilisgroup digital commerce platform to ensure that existing technology remains market leading and differentiated from our competitors, alongside the development of new products that will support 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 we have previously indicated, FY 23 was the intended peak point of our investment into the Facilisgroup platform and moving forward, we expect the level of investment to reduce. Property, Plant and Equipment primarily comprises the costs of Right-of-Use assets capitalised in accordance with IFRS 16 "Leases".

Working capital

Working capital of £13.0m is £0.7m lower than FY 22. This relates principally to the reduction in sales in Brand Addition.

Lease liabilities

Lease liabilities of £7.6m (FY 22: £9.1m) relate to Group properties capitalised in accordance with IFRS 16. The reduction in the year reflects payments made under the lease agreements.

Other net liabilities

Other net liabilities of £2.7m (FY 22: £3.9m) are net tax liabilities of which £2.4m (FY 22: £2.9m) is deferred tax in respect of the intangible assets of Facilisgroup. £1.5m of the deferred tax liability (FY 22: £1.7m) relates to acquired customer relationships. These liabilities will reverse over the period that the assets are amortised.

Alternative Performance Measures (APMs)

Throughout the Annual Report and related statements, the Group has used a number of APMs as key performance indicators in addition to those reported under IFRS. These are used to provide additional clarity to the Group's underlying 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 APMs 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. They have been consistently applied in all years presented.

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

Adjusted EBITDA which means operating profit before depreciation, amortisation, share-based payments charge and exceptional items. Refer to note 7 for reconciliation.

Adjusted operating profit which means operating profit before amortisation of acquired intangible assets, share-based payments charge and exceptional items. Refer to note 7 for reconciliation.

Adjusted operating profit less finance costs which means adjusted operating profit before tax, amortisation of acquired intangible assets, share-based payments charge and exceptional items. Refer to note 7 for reconciliation.

Adjusted earnings which means profit attributable to equity shareholders before amortisation of acquired intangible assets, share-based payments charge and exceptional items. Refer to note 7 for reconciliation.

Adjusted earnings per share which means Adjusted earnings divided by a weighted average number of shares in issue. Refer to note 6 for reconciliation.

Claire Thomson
Chief Financial Officer
18 March 2024

Consolidated income statement

For the year ended 31 December 2023

	Note	2023	2022
		£'000	£'000
Revenue	4	**124,171**	134,025
Cost of goods sold		**(69,988)**	(81,279)
Gross profit		**54,183**	52,746
Operating expenses		**(46,185)**	(42,523)
Operating profit		**7,998**	10,223
Analysed as:			
Adjusted EBITDA[1]		**15,978**	18,042
Depreciation	10	**(2,248)**	(2,384)
Amortisation	9	**(5,184)**	(4,182)
Share-based payment charge	12	**(548)**	(1,253)
Total operating profit		**7,998**	10,223
Finance expense		**(589)**	(520)
Profit before taxation		**7,409**	9,703
Income tax expense	5	**(1,614)**	(2,090)
Profit for the year		**5,795**	7,613
Basic earnings per share	6	**3.46p**	4.55p
Diluted earnings per share	6	**3.45p**	4.54p

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 2023

	2023	2022
	£'000	£'000
Items that may be subsequently reclassified to profit and loss		
Foreign operations – foreign currency translation differences	**(2,068)**	2,190
Other comprehensive (expense)/income for the year	**(2,068)**	2,190
Profit for the year	**5,795**	7,613
Total comprehensive income for the year	**3,727**	9,803

Consolidated statement of financial position

As at 31 December 2023

	Note	2023	2022
		£'000	£'000
ASSETS			
Non-current assets			
Intangible assets	9	**61,307**	60,002
Property, plant and equipment	10	**8,306**	9,492
Deferred tax asset		**282**	292
Total non-current assets		**69,895**	69,786
Current assets			
Inventories		**11,852**	15,447
Trade and other receivables		**30,158**	34,693
Cash and cash equivalents		**15,898**	15,058
Total current assets		**57,908**	65,198
TOTAL ASSETS		**127,803**	134,984
LIABILITIES			
Non-current liabilities			
Lease liability	11	**6,130**	7,490
Deferred tax liability		**2,365**	2,860
Total non-current liabilities		**8,495**	10,350
Current liabilities			
Lease liability	11	**1,494**	1,569
Trade and other payables		**28,965**	36,413
Current tax liability		**381**	1,063
Total current liabilities		**30,840**	39,045
TOTAL LIABILITIES		**39,335**	49,395
NET ASSETS		**88,468**	85,589
EQUITY AND RESERVES			
Share capital		**1,675**	1,675
Share premium		**78,451**	78,451
Own share reserve		**(227)**	-
Capital reserve		**125**	125
Merger reserve		**(103,581)**	(103,581)
Translation reserve		**(1,205)**	863
Share-based payment reserve		**2,005**	1,892
Retained earnings		**111,225**	106,164
TOTAL EQUITY AND RESERVES		**88,468**	85,589

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Share capital	Share premium	Own share reserve	Capital reserve	Merger reserve	Translation reserve	Share-based payment reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2022	1,675	78,451	-	125	(103,581)	(1,327)	681	98,551	74,575
Profit for the year	-	-	-	-	-	-	-	7,613	7,613
Other comprehensive income for the year	-	-	-	-	-	2,190	-	-	2,190
Total comprehensive income	-	-	-	-	-	2,190	-	7,613	9,803
Employee share schemes – value of employee services (note 12)	-	-	-	-	-	-	1,196	-	1,196
Deferred tax on employee share schemes	-	-	-	-	-	-	15	-	15
Total transactions with owners recognised in equity	-	-	-	-	-	-	1,211	-	1,211
At 31 December 2022	1,675	78,451	-	125	(103,581)	863	1,892	106,164	85,589
Profit for the year	-	-	-	-	-	-	-	5,795	5,795
Other comprehensive expense for the year	-	-	-	-	-	(2,068)	-	-	(2,068)
Total comprehensive (expense)/income	-	-	-	-	-	(2,068)	-	5,795	3,727
Dividend paid (note 8)	-	-	-	-	-	-	-	(1,005)	(1,005)
Purchase of own shares by EBT	-	-	(395)	-	-	-	-	-	(395)
Employee share schemes – value of employee services (note 12)	-	-	168	-	-	-	136	271	575
Deferred tax on employee share schemes	-	-	-	-	-	-	(23)	-	(23)
Total transactions with owners recognised in equity		-	(227)	-	-	-	113	(734)	(848)
At 31 December 2023	**1,675**	**78,451**	**(227)**	**125**	**(103,581)**	**(1,205)**	**2,005**	**111,225**	**88,468**

The Group set up an Employee Benefit Trust (EBT) in the year to administer share plans and acquire shares, using funds gifted by the Group, to meet commitments to employee share schemes. At 31 December 2023, the EBT held 412,637 shares (2022: nil).

Consolidated cash flow statement

For the year ended 31 December 2023

	Note	2023	2022
		£'000	£'000
Profit before taxation		**7,409**	9,703
Adjustments for:			
Depreciation	10	**2,248**	2,384
Amortisation	9	**5,184**	4,182
Share-based payment charge	12	**548**	1,253
(Profit)/loss on disposal of fixed assets		**(18)**	19
Finance expense		**589**	520
Cash flows from operating activities before changes in working capital		**15,960**	18,061
Change in inventories		**3,595**	(5,354)
Change in trade and other receivables		**4,535**	(5,271)
Change in trade and other payables		**(7,422)**	7,263
Cash flows from operating activities		**16,668**	14,699
Income taxes paid		**(2,517)**	(1,712)
Net cash flows from operating activities		**14,151**	12,987
Cash flows from investing activities			
Purchase of property, plant and equipment	10	**(882)**	(945)
Purchase of intangible assets	9	**(7,648)**	(7,434)
Net cash flows used in investing activities		**(8,530)**	(8,379)
Cash flows from financing activities			
Lease payments		**(1,600)**	(1,737)
Interest paid		**(589)**	(520)
Dividends paid	8	**(1,005)**	-
Purchase of own shares by EBT		**(395)**	-
Net cash flows used in financing activities		**(3,589)**	(2,257)
NET CASH FLOWS		**2,032**	2,351
Cash and cash equivalents at beginning of year		**15,058**	12,051
Effect of exchange rate fluctuations on cash held		**(1,192)**	656
Cash and cash equivalents at end of year		**15,898**	15,058

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 digital commerce, products and related services 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 digital commerce, 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. The Group refinanced its £10m RCF in January 2023 for a three-year period to January 2026, with the option to extend for an additional year to January 2027. 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 2025.

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 at least 12 months from the date of signing the financial statements. 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 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 its annual reporting period commencing 1 January 2023:

- IFRS 17 Insurance Contracts;
- Amendment to IAS 12 Deferred tax: deferred tax related to assets and liabilities arising from a single transaction;
- Amendment to IAS 12 International tax reform - pillar two model rules; and
- Narrow-scope amendments to IAS 1, Practice statement 2 and IAS 8.

The amendments listed above do not have any impact on the amounts recognised in prior periods and are not expected to significantly affect 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 2023 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.

Employee Benefit Trust (EBT)

The Group established an EBT (The Pebble Group Employee Benefit Trust) on 2 May 2023 to enable shares to be bought in the market to satisfy the demand from share awards under the Group's employee share schemes. The EBT is a separately administered trust and is funded by contributions from Group companies in the form of a loan or a gift. The assets of the trust comprise shares in The Pebble Group plc and cash balances. The Group recognises the assets and liabilities of the trust in the consolidated financial statements and shares held by the trust are recorded in the own share reserve as a deduction from shareholders' equity. As at 31 December 2023, the EBT held 412,637 shares in the Company.

(f) Revenue

Revenue arises from the provision of services through digital commerce 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.

Facilisgroup provision of digital commerce, 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.

Revenue earned from Preferred Suppliers is recognised over time on a monthly basis in line with orders placed by Partners with these suppliers. Payments are received bi-annually.

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 trade receivables in the statement of financial position. A small number of customers are invoiced in advance and these amounts are deferred and presented within contract liabilities.

(g) Alternative performance measures

Throughout the report, we refer to a number of alternative performance measures (APMs). APMs are used internally by management to assess the operating performance of the Group. These are non-GAAP measures and so other entities may not calculate these measures in the same way and hence are not directly comparable. The APMs that are not recognised under UK-adopted international accounting standards are:

- Adjusted earnings;
- Adjusted EBTIDA;
- Adjusted operating profit; and
- Adjusted operating profit less finance costs.

See note 7 for the reconciliation of the APMs.

The Board considers that the above APMs provide useful information for stakeholders on the underlying trends and performance of the Group and facilitate meaningful year on year comparisons.

(h) Taxation

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

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

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

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

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.

(i) Intangible assets

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

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

All intangible assets are denominated in the functional currency of the relevant subsidiary company and retranslated into Sterling at each period end date. Exchange differences are dealt with through the consolidated statement of other comprehensive income. Intangible assets are presented in note 9.

Customer relationships

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

Development costs

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

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

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

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

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

- Software and development costs – 3-5 years.

(j) Impairment losses

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

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

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

The Group makes use of a simplified approach in accounting for trade and other receivables 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.

(k) 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 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.

(l) 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Depreciation is calculated using straight-line method 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; and
- Computer hardware – 5 years.

(m) Leases

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

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

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

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

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

The Group presents right-of-use assets within property, plant and equipment in note 10.

Short-term leases and low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases 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.

(n) 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 digital commerce, 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, who have been identified as the Chief Operating Decision Maker.

(o) Employee benefits

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

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.

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 other payables 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.

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.

(p) 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.

Own share reserve

Own share reserve represents Ordinary Shares in the Company held by the Employee Benefit Trust set up in 2023 to administer share plans and acquire shares, using funds contributed by the Group, to meet commitments to employee share schemes.

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.

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

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 (2022: £nil). The Directors recommend the payment of a final dividend for 2023 of 1.2 pence per share (2022: 0.6 pence per share).

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. As part of these calculations, we have considered various sensitivities, explained in note 9. A 1% increase in the Weighted Average Cost of Capital (WACC) would reduce the total value in use by £21.5m (2022: £25.7m).

Goodwill relates to the various acquisitions made and amounts to £35,964,000 as at 31 December 2023 (2022: £36,139,000). The estimates used in the impairment calculation are set out in note 9. There is no significant risk of material adjustment to the carrying amount of the goodwill within the next 12 months. The sensitivities applied are explained in note 9.

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 12 months. No reasonable sensitivity performed in relation to the useful economic lives assumption would result in a material change in the carrying value of intangible assets.

Useful economic lives of property, plant and equipment

Property, plant and equipment is depreciated over the useful lives of the assets. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The carrying values are tested for impairment when there is an indication that the value of the assets might be impaired. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would be based upon management judgement. Future events could cause the assumptions to change, therefore, this could have an adverse effect on the future results of the Group. There is no significant risk of material adjustment to the carrying amount of the property, plant and equipment within the next 12 months.

The useful economic lives applied are set out in the accounting policies and are reviewed annually. No reasonable sensitivity performed in relation to the useful economic lives assumption would result in a material change in the carrying value of property, plant and equipment.

Share-based payment charge

Fair values used in calculating the amount to be expensed as a share-based payment is subject to a level of uncertainty. These fair values are calculated by applying a valuation model, which is in itself judgmental, and takes into account certain inherently uncertain assumptions. The basic assumptions that are used in the calculations are explained further in note 12. No reasonable sensitivity performed in relation to the share-based payment assumptions would result in a material change to the expense in the consolidated income statement.

(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. There is also some judgement required in relation to the proportion of time capitalised for employees working on the development of internally generated intangible assets. 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 9.

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 financial statements, are:

- Brand Addition - sale of promotional product through complex services provided under framework contracts on an international basis;
- Facilisgroup - provision of digital commerce, consolidated buying power and community learning and networking events to SME promotional product distributors in North America through subscription-based services; and
- Central operations – certain central activities and costs that are not directly related to the activities of the operating segments.

Segment information about the above businesses is presented on the following pages.

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

Major customers

In 2023, there was one major customer that individually accounted for at least 10% of total revenues (2022: none). In 2023, the revenue relating to this customer was £12,511,000 and related to the Brand Addition segment.

Analysis of revenue by geographical destination

	2023	2022
	£'000	£'000
United Kingdom	**21,710**	22,570
Continental Europe	**41,896**	47,236
US	**39,924**	43,189
Rest of World	**20,641**	21,030
Total revenue	**124,171**	134,025

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

Included within Rest of World is £14,378,000 of revenue from China (2022: £14,247,000).

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

	2023	2022
	£'000	£'000
At a point in time	**107,128**	118,507
Over time	**17,043**	15,518
Total revenue	**124,171**	134,025

All non-current assets of the Group reside in the UK, with the exception of non-current assets with a net book value of £31,525,000 (2022: £31,250,000) which were located in North America and £2,006,000 (2022: £2,451,000) located in other foreign countries.

Income statement for the year ended 31 December 2023

	Brand Addition	Facilisgroup	Central operations	**2023**
	£'000	£'000	£'000	**£'000**
Revenue	106,276	17,895	-	**124,171**
Cost of goods sold	(69,988)	-	-	**(69,988)**
Gross profit	36,288	17,895	-	**54,183**
Operating expenses	(30,084)	(13,514)	(2,587)	**(46,185)**
Operating profit/(loss)	6,204	4,381	(2,587)	**7,998**
Analysed as:				
Adjusted EBITDA	9,491	8,851	(2,364)	**15,978**
Depreciation	(1,640)	(571)	(37)	**(2,248)**
Amortisation	(1,335)	(3,849)	-	**(5,184)**
Share-based payment charge	(312)	(50)	(186)	**(548)**
Total operating profit/(loss)	6,204	4,381	(2,587)	**7,998**
Finance expense	(345)	(67)	(177)	**(589)**
Profit/(loss) before taxation	5,859	4,314	(2,764)	**7,409**
Income tax expense	(891)	(700)	(23)	**(1,614)**
Profit/(loss) for the year	4,968	3,614	(2,787)	**5,795**

Statement of financial position as at 31 December 2023

	Brand Addition	Facilisgroup	Central operations	**2023**
	£’000	£’000	£’000	**£’000**
ASSETS				
Non-current assets				
Intangible assets	38,472	22,835	-	**61,307**
Property, plant and equipment	5,269	2,803	234	**8,306**
Deferred tax asset	158	-	124	**282**
Total non-current assets	43,899	25,638	358	**69,895**
Current assets				
Inventories	11,852	-	-	**11,852**
Trade and other receivables	24,956	4,921	281	**30,158**
Cash and cash equivalents	12,906	1,607	1,385	**15,898**
Total current assets	49,714	6,528	1,666	**57,908**
TOTAL ASSETS	93,613	32,166	2,024	**127,803**
LIABILITIES				
Non-current liabilities				
Lease liability	4,161	1,969	-	**6,130**
Deferred tax liability	-	2,365	-	**2,365**
Total non-current liabilities	4,161	4,334	-	**8,495**
Current liabilities				
Lease liability	1,195	299	-	**1,494**
Trade and other payables	26,519	2,006	440	**28,965**
Current tax liability/(asset)	(202)	583	-	**381**
Total current liabilities	27,512	2,888	440	**30,840**
TOTAL LIABILITIES	31,673	7,222	440	**39,335**
NET ASSETS	61,940	24,944	1,584	**88,468**

Income statement for the year ended 31 December 2022

	Brand Addition	Facilisgroup	Central operations	2022
	£'000	£'000	£'000	£'000
Revenue	117,391	16,634	-	134,025
Cost of goods sold	(81,279)	-	-	(81,279)
Gross profit	36,112	16,634	-	52,746
Operating expenses	(28,155)	(11,624)	(2,744)	(42,523)
Operating profit/(loss)	7,957	5,010	(2,744)	10,223
Analysed as:				
Adjusted EBITDA	11,467	9,011	(2,436)	18,042
Depreciation	(1,719)	(626)	(39)	(2,384)
Amortisation	(1,232)	(2,950)	-	(4,182)
Share-based payment charge	(559)	(425)	(269)	(1,253)
Total operating profit/(loss)	7,957	5,010	(2,744)	10,223
Finance expense	(388)	(13)	(119)	(520)
Profit/(loss) before taxation	7,569	4,997	(2,863)	9,703
Income tax (expense)/income	(1,495)	(689)	94	(2,090)
Profit/(loss) for the year	6,074	4,308	(2,769)	7,613

Statement of financial position as at 31 December 2022

	Brand Addition	Facilisgroup	Central operations	2022
	£'000	£'000	£'000	£'000
ASSETS				
Non-current assets				
Intangible assets	37,863	22,139	-	60,002
Property, plant and equipment	6,449	3,004	39	9,492
Deferred tax asset	137	-	155	292
Total non-current assets	44,449	25,143	194	69,786
Current assets				
Inventories	15,447	-	-	15,447
Trade and other receivables	29,989	4,648	56	34,693
Cash and cash equivalents	12,655	2,265	138	15,058
Total current assets	58,091	6,913	194	65,198
TOTAL ASSETS	102,540	32,056	388	134,984
LIABILITIES				
Non-current liabilities				
Lease liability	5,148	2,315	27	7,490
Deferred tax liability	-	2,860	-	2,860
Total non-current liabilities	5,148	5,175	27	10,350
Current liabilities				
Lease liability	1,221	303	45	1,569
Trade and other payables	33,543	2,075	795	36,413
Current tax liability	258	805	-	1,063
Total current liabilities	35,022	3,183	840	39,045
TOTAL LIABILITIES	40,170	8,358	867	49,395
NET ASSETS/(LIABILITIES)	62,370	23,698	(479)	85,589

5. INCOME TAX EXPENSE

	2023	2022
	£'000	£'000
Current income tax		
- UK corporation tax charge for the year	**575**	901
- Adjustments in respect of prior years	**(337)**	(159)
- Foreign tax	**1,652**	1,822
Total current income tax	**1,890**	2,564
Deferred tax		
- Deferred tax	**(413)**	(426)
- Adjustments in respect of prior years	**137**	(48)
Total deferred tax	**(276)**	(474)
Total income tax expense	**1,614**	2,090

The expected corporation tax charge for the year is calculated at the UK corporation tax rate of 23.5% (2022: 19%) on the profit before taxation for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions in which the Group operates.

The charge for the year can be reconciled to the profit in the consolidated income statement as follows:

Analysis of charge in year	2023	2022
	£'000	£'000
Reconciliation of total tax charge:		
Profit before taxation	**7,409**	9,703
Profit before taxation multiplied by the rate of corporation tax in the UK of 23.5% (2022: 19%)	**1,741**	1,844
Effects of:		
Adjustments in respect of prior years	**(200)**	(207)
Impact of difference in current and deferred tax rates in the UK	**-**	13
Non-deductible (income)/expenses	**(27)**	32
Differences in tax rates in overseas jurisdictions	**100**	286
Unrecognised for deferred tax	**-**	122
Total income tax expense	**1,614**	2,090

Factors that may affect future tax charges

An increase in the UK corporation tax rate from 19% to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021. The impact of this rate change has been considered when recognising the deferred tax in relation to the UK companies in the Group. Where the asset or liability is expected to unwind after 1 April 2023, the deferred tax has been recognised at 25%.

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 (charged)/credited to equity:

	2023	2022
	£'000	£'000
Deferred tax: (charge)/credit relating to employee share schemes – value of employee services	**(23)**	15

6. EARNINGS PER SHARE

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

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary Shares. The Company has potentially dilutive Ordinary Shares arising from share options granted to employees. Options are dilutive under the Group Sharesave Plan (SAYE) where the exercise price together with the future IFRS 2 charge of the option is less than the average market price of the Company's Ordinary Shares during the year. Options under The Pebble Group plc Long Term Incentive Plan (LTIP), 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 12, are satisfied at the end of the reporting period, irrespective of whether this is the end of the vesting period or not.

The impact of the potentially dilutive share options issued under the LTIP on 21 December 2020, 8 June 2021, 29 March 2022, and 28 March 2023 and the SAYE on 6 October 2021 and 25 April 2023, as detailed in note 12, is 0.01p for the year ended 31 December 2023 (2022: 0.01p).

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

Statutory EPS

	2023	2022
Earnings (£'000)		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	**5,795**	7,613
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	**167,412,949**	167,450,893
Weighted average dilutive effects of conditional share awards	**445,904**	185,624
Weighted average number of shares for the purposes of diluted earnings per share	**167,858,853**	167,636,517
Earnings per Ordinary Share (pence)		
Basic earnings per Ordinary Share (pence)	**3.46**	4.55
Diluted earnings per Ordinary Share (pence)	**3.45**	4.54

Adjusted EPS

The calculation of adjusted earnings per share is based on the after-tax adjusted profit after adding back certain costs as detailed in the table in note 7. 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.

	2023	2022
Earnings (£'000)		
Earnings for the purposes of basic and diluted earnings per share being adjusted earnings	**7,708**	9,675
Number of shares		
Weighted average number of shares for the purposes of adjusted earnings per share	**167,412,949**	167,450,893
Weighted average dilutive effects of conditional share awards	**445,904**	185,624
Weighted average number of shares for the purposes of diluted earnings per share	**167,858,853**	167,636,517
Adjusted earnings per Ordinary Share (pence)		
Basic adjusted earnings per Ordinary Share (pence)	**4.60**	5.78
Diluted adjusted earnings per Ordinary Share (pence)	**4.59**	5.77

See note 7 for the reconciliation of adjusted earnings.

7. ALTERNATIVE PERFORMANCE MEASURES (APMs)

Throughout the consolidated financial statements, we refer to a number of APMs. A reconciliation of the APMs used are shown below.

Adjusted earnings:

	2023	2022
	£'000	£'000
Profit for the year attributable to equity shareholders	**5,795**	7,613
Add back/(deduct):		
Amortisation charge on acquired intangible assets	**1,901**	1,420
Share-based payment charge	**548**	1,253
Tax effect of the above	**(536)**	(611)
Adjusted earnings	**7,708**	9,675

Adjusted EBITDA:

	2023	2022
	£'000	£'000
Operating profit	**7,998**	10,223
Add back:		
Depreciation	**2,248**	2,384
Amortisation	**5,184**	4,182
Share-based payment charge	**548**	1,253
Adjusted EBITDA	**15,978**	18,042

Adjusted operating profit:

	2023	2022
	£'000	£'000
Operating profit	**7,998**	10,223
Add back:		
Amortisation charge on acquired intangible assets	**1,901**	1,420
Share-based payment charge	**548**	1,253
Adjusted operating profit	**10,447**	12,896

Adjusted operating profit less finance costs:

	2023	2022
	£'000	£'000
Adjusted operating profit	**10,447**	12,896
Deduct:		
Finance expense	**(589)**	(520)
Adjusted operating profit less finance costs	**9,858**	12,376

8. DIVIDENDS PAID AND PROPOSED

	2023	2022
	£'000	£'000
Declared and paid during the year		
Final dividend for 2022 paid in June 2023: 0.6p per share	**1,005**	-
Proposed for approval at AGM (not recognised as a liability at 31 December)		
Final dividend for 2023: 1.2p per share (2022: 0.6p per share)	**2,004**	1,005

As per the Trust Deed, the EBT shall waive its entitlement to a dividend on the shares held of 412,637 shares.

9. INTANGIBLE ASSETS

	Goodwill	Customer relationships	Software and development costs	Work in progress	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 January 2022	35,805	10,241	21,321	423	67,790
Foreign exchange translation	334	1,081	1,643	39	3,097
Additions	-	-	2,347	4,115	6,462
Disposals	-	-	(926)	-	(926)
Reclassifications	-	-	492	(492)	-
Balance at 31 December 2022	36,139	11,322	24,877	4,085	76,423
Foreign exchange translation	(175)	(554)	(672)	(195)	(1,596)
Additions	-	-	661	6,987	7,648
Disposals	-	-	(186)	-	(186)
Reclassifications	-	-	4,200	(4,200)	-
Balance at 31 December 2023	**35,964**	**10,768**	**28,880**	**6,677**	**82,289**
Accumulated amortisation					
Balance at 1 January 2022	-	1,647	10,469	-	12,116
Foreign exchange translation	-	171	878	-	1,049
Charge for the year	-	554	3,628	-	4,182
Disposals	-	-	(926)	-	(926)
Balance at 31 December 2022	-	2,372	14,049	-	16,421
Foreign exchange translation	-	(123)	(345)	-	(468)
Charge for the year	-	550	4,634	-	5,184
Disposals	-	-	(155)	-	(155)
Balance at 31 December 2023	**-**	**2,799**	**18,183**	**-**	**20,982**
Net book value					
Balance at 31 December 2021	35,805	8,594	10,852	423	55,674
Balance at 31 December 2022	36,139	8,950	10,828	4,085	60,002
Balance at 31 December 2023	**35,964**	**7,969**	**10,697**	**6,677**	**61,307**

Staff costs of £6,626,000 (2022: £5,797,000) have been capitalised as intangible assets. The net book value of internally generated assets is £13,785,000 (2022: £9,941,000).

The remaining amortisation periods for customer relationships are between 13 and 15 years (2022: 14 and 16 years) and for software and development costs are between 1 and 5 years (2022: 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 2024 to 2028 were used. For Brand Addition, these were based on a forecast for 2024 with growth rates of 6% applied to EBITDA each year. For Facilis, these were based on forecasts for 2024 to 2025, with growth rates of 20% applied to revenue each year and an EBITDA return of 50% for 2026 and 55% for 2027 and 2028. Subsequent years were based on a reduced rate of growth of 2.0% (2022: 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 pre-tax market weighted average cost of capital (WACC) of 12.6% for Brand Addition and 13.9% for Facilisgroup (2022: 12.4% for Brand Addition and 13.6% for Facilisgroup) to discount the cash flows used for the CGUs. Sensitivities to revenue and margin, consistent with those used in the going concern analysis, were applied to each CGU. Additionally, the impact on headroom arising from a 2% increase in the WACC was also considered. 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 adequate headroom and therefore do not give rise to impairment concerns.

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

Goodwill is attributable to the following segments:

	2023	2022
	£'000	£'000
Brand Addition	**33,057**	33,057
Facilisgroup	**2,907**	3,082
	35,964	36,139

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

	2023	2022
	£'000	£'000
Brand Addition	**102,824**	102,824
Facilisgroup	**98,560**	123,798
	201,384	226,622

The revenue and margin sensitivities described above, result in a reduction in the total value in use to £105,013,000. The WACC sensitivity described above, results in a reduction in the total value in use to £162,373,000. Under both sensitivities, there is headroom for both CGUs.

Management considers that no reasonably possible changes would reduce either CGUs headroom to £nil. The reduction from prior year is driven by revenue growth phasing for Facilis new products, in addition to the increase in WACC.

10. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings	Computer hardware	Right-of-use assets	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 January 2022	3,892	3,226	12,784	19,902
Foreign exchange translation	216	146	783	1,145
Additions	327	618	2,471	3,416
Disposals	(880)	(1,319)	(2,240)	(4,439)
Balance at 31 December 2022	3,555	2,671	13,798	20,024
Foreign exchange translation	(118)	(74)	(394)	(586)
Additions	245	626	516	1,387
Disposals	-	(350)	(477)	(827)
Balance at 31 December 2023	**3,682**	**2,873**	**13,443**	**19,998**
Accumulated depreciation				
Balance at 1 January 2022	3,133	2,323	6,519	11,975
Foreign exchange translation	154	98	339	591
Charge for the year	233	451	1,700	2,384
Disposals	(880)	(1,300)	(2,238)	(4,418)
Balance at 31 December 2022	2,640	1,572	6,320	10,532
Foreign exchange translation	(81)	(48)	(143)	(272)
Charge for the year	278	465	1,505	2,248
Disposals	-	(345)	(471)	(816)
Balance at 31 December 2023	**2,837**	**1,644**	**7,211**	**11,692**
Net book value				
Balance at 31 December 2021	759	903	6,265	7,927
Balance at 31 December 2022	915	1,099	7,478	9,492
Balance at 31 December 2023	**845**	**1,229**	**6,232**	**8,306**

Right-of-use assets – net book value

	2023	2022
	£'000	£'000
Leasehold property	**5,943**	7,362
Fixtures and fittings	**100**	87
Computer hardware	**189**	29
Total right-of-use assets – net book value	**6,232**	7,478

The Pebble Group

11. LEASES

Amounts recognised in the statement of financial position

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

Right-of-use assets	£'000
Balance at 1 January 2022	6,265
Foreign exchange translation	444
New leases recognised in the year	2,471
Disposals	(2)
Depreciation charge for the year	(1,700)
Balance at 31 December 2022	7,478
Foreign exchange translation	(251)
New leases recognised in the year	516
Disposals	(6)
Depreciation charge for the year	(1,505)
Balance at 31 December 2023	**6,232**

These are included within property, plant and equipment in the statement of financial position.

Lease liability	**2023**	2022
	£'000	£'000
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	**1,807**	1,897
More than one year, less than two years	**1,729**	1,726
More than two years, less than three years	**1,722**	1,627
More than three years, less than four years	**1,165**	1,624
More than four years, less than five years	**1,004**	1,091
More than five years	**1,106**	2,207
Total undiscounted lease liability at year end	**8,533**	10,172
Finance costs	**(909)**	(1,113)
Total discounted lease liability at year end	**7,624**	9,059
Current	**1,494**	1,569
Non-current	**6,130**	7,490
	7,624	9,059

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2023	2022
	£'000	£'000
Depreciation charge – fixtures and fittings	**1,451**	1,655
Depreciation charge – computer hardware	**54**	45
	1,505	1,700
Interest expense (within finance expense)	**399**	374

The above leases relate to office space, computer equipment and motor vehicles. The net book value by category is set out in note 10.

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

12. SHARE-BASED PAYMENTS

In the year ended 31 December 2023, the Group operated equity-settled share-based payment plans as described below.

The Group recognised total expenses of £548,000 (2022: £1,253,000) in respect of equity-settled share-based payment transactions in the year ended 31 December 2023.

The weighted average remaining contractual life of options outstanding at the end of the year is 1.33 years (2022: 1.40 years).

The Pebble Group plc Long Term Incentive Plan (LTIP)

Certain employees of the Company, along with other Group employees, have been granted share options on 21 December 2020, 8 June 2021, 29 March 2022 and 28 March 2023 under the LTIP.

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 Directors' 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 2023 are shown below.

	Number of shares
At 1 January 2022	2,074,246
Granted in the year	1,719,986
Lapsed in the year	(436,702)
At 31 December 2022	3,357,530
Granted in the year	1,655,496
Exercised in the year	(303,558)
Lapsed in the year	(1,494,515)
Outstanding at 31 December 2023	**3,214,953**
Exercisable at 31 December 2023	**412,637**

The weighted average exercise price in the year is 52.1p (2022: nil).

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, the 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.

	2022 award TSR condition	2022 award AEPS condition	**2023 award TSR condition**	**2023 award AEPS condition**
Share price at start of performance period	132.5p	132.5p	**88.5p**	**88.5p**
Share price at grant date	101.5p	101.5p	**117.0p**	**117.0p**
Exercise price	£nil	£nil	**£nil**	**£nil**
Expected volatility	17.9%	-	**14.3%**	**-**
Expected life	3 years	3 years	**3 years**	**3 years**
Expected dividend yield	0%	-	**0%**	**-**
Risk-free interest rate	0.53%	-	**3.05%**	**-**
Fair value per option	29.6p	101.5p	**21.1p**	**117.0p**

The Pebble Group plc Group Sharesave Plan (SAYE)

Certain eligible employees of the Company, along with other Group employees, have been granted share options on 6 October 2021 and 25 April 2023 under its Sharesave Plan and its sub-plan, the International Sharesave Plan.

The Pebble Group

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 20 per cent. The vesting period under the scheme is three years with no performance conditions, other than remaining a Group employee, attached to the options.

In 2023 under the SAYE, the Group made awards of 417,932 (2022: nil) 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 2023 are shown below.

	Number of shares	Weight average exercise price (p)
At 1 January 2022	923,710	122.0
Lapsed in the year	(181,645)	122.0
At 31 December 2022	742,065	122.0
Granted in the year	417,932	94.0
Lapsed in the year	(481,650)	117.4
Outstanding at 31 December 2023	**678,347**	**108.0**

The fair value at grant date is independently determined using an adjusted form of the Black-Scholes model that takes into account the exercise price, the term of the option, the share price at grant date, the 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.

	2023 award
Share price at grant date	**117.0p**
Exercise price	**94.0p**
Expected volatility	**13.4%**
Expected life	**3 years**
Expected dividend yield	**0%**
Risk-free interest rate	**3.05%**
Fair value per option	**16.0p**