Annual Report 2022

The Pebble Group plc

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The Pebble Group

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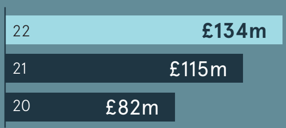
Building brands.
Growing relationships.
Strengthening businesses.

Financial Highlights

REVENUE

£134m

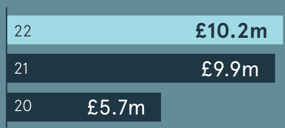
+16.4%



OPERATING PROFIT

£10.2m

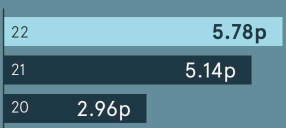
+3.0%



BASIC ADJUSTED EARNINGS PER SHARE (EPS)*

5.78p

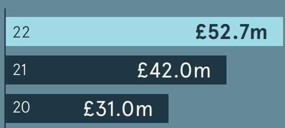
+12.5%



GROSS PROFIT

£52.7m

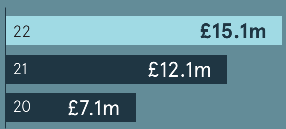
+25.5%



NET CASH*

£15.1m

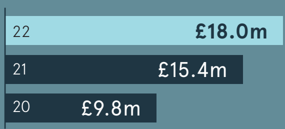
+24.8%



ADJUSTED EBITDA*

£18.0m

+16.9%



- Strong performance with Group revenue at £134.0m (FY 21: £115.1m) 16% ahead of the prior year
- Strong balance sheet with net cash ahead of market expectations at 31 December 2022 of £15.1m (FY 21: £12.1m)
- Proposed maiden final dividend for FY 22 of 0.6 pence per Ordinary Share

* Basic Adjusted Earnings Per Share (EPS), Net Cash and Adjusted EBITDA are each defined in the Chief Financial Officer's review on page 50.

"I am pleased to report on another year of strong performance and growth for The Pebble Group in 2022 with results for the year slightly ahead of market expectations."

Richard Law
Chair

Contents

Our Values

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

ONE TEAM, DIVERSE AND UNITED

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

ENJOYING THE JOURNEY

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

AMBITIOUS POSITIVITY

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

ALWAYS LEARNING AND GROWING

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

CONNECTED TO OUR STAKEHOLDERS

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

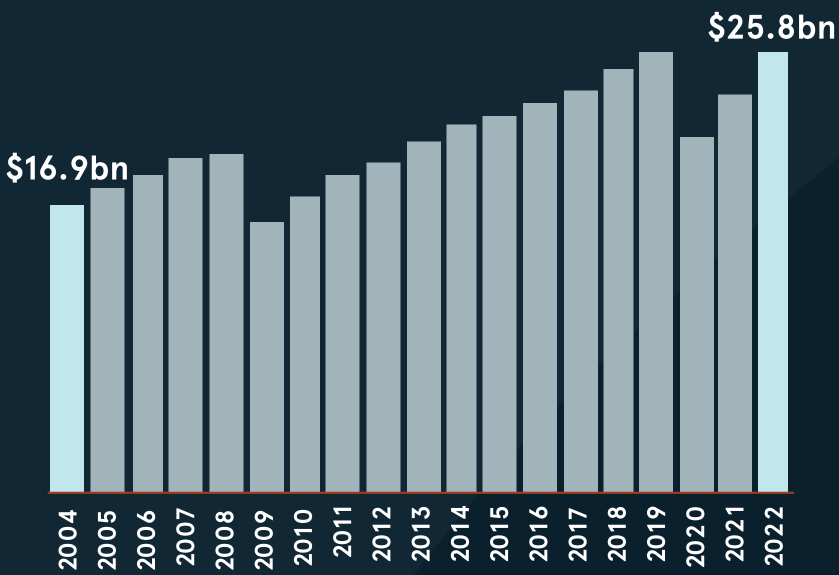
Introduction to the Promotional Products industry

Why are promotional products used?

Businesses of all sizes, sectors and geographies use products, branded with their name or key message, in order to build culture, brand awareness and meaningful connections with their stakeholders, be it existing or potential customers, employees or suppliers.

The right strategy can help businesses make a long lasting positive emotional connection with the recipient, reminding them of an interaction with a brand each time they use or wear a product.

Industry growth and development.



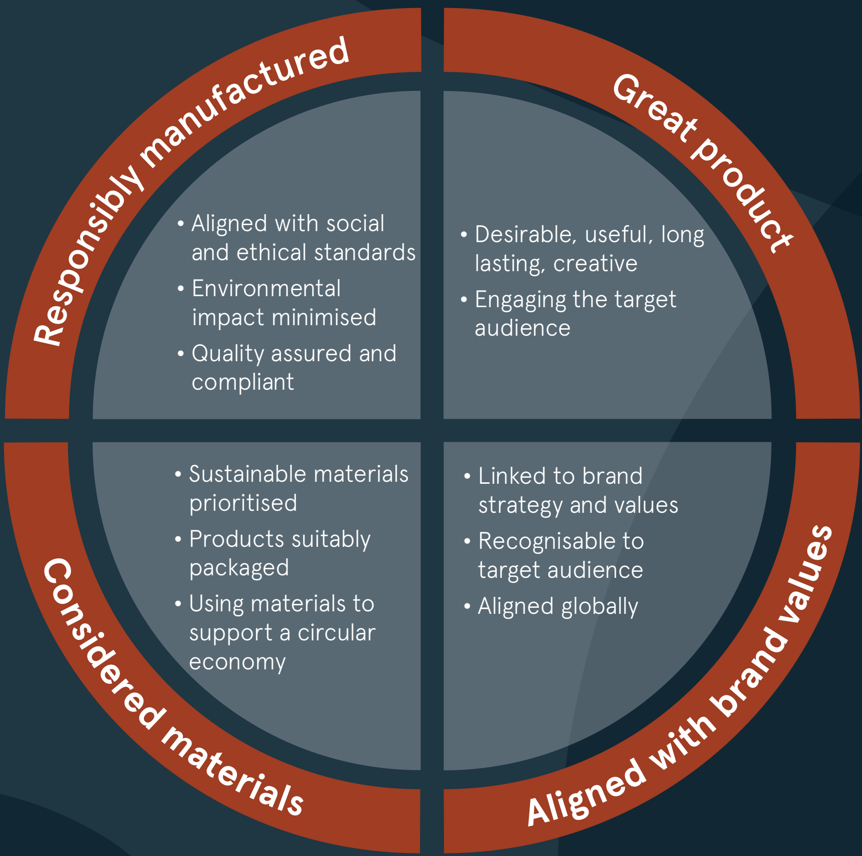
Advertising Specialty Institute (ASI) reported industry sales revenue (North America).

The global promotional products market is worth c.$50bn., 50% of which is based in North America.

Promotional products are often a key component in a business' marketing strategy with the cost per impression or the return on investment being highly attractive. Businesses are increasingly choosing to work with distributors who can develop product strategies that connect with their target audience both locally and across the world.

Businesses have become more considered in their approach, investing in products to engage with employees and customers that align with brand values, are made from more sustainable materials and are useful, helping to generate as many brand impressions as possible.

Developing an effective strategy



Benefits

- **Brand loyalty**
- **Stakeholder engagement**
- **Driving brand sales**
- **Creating memorable brand connections**

Market Opportunity

GLOBAL INDUSTRY

c.$50bn

VISIBILITY OF SALES OF PROMOTIONAL PRODUCTS

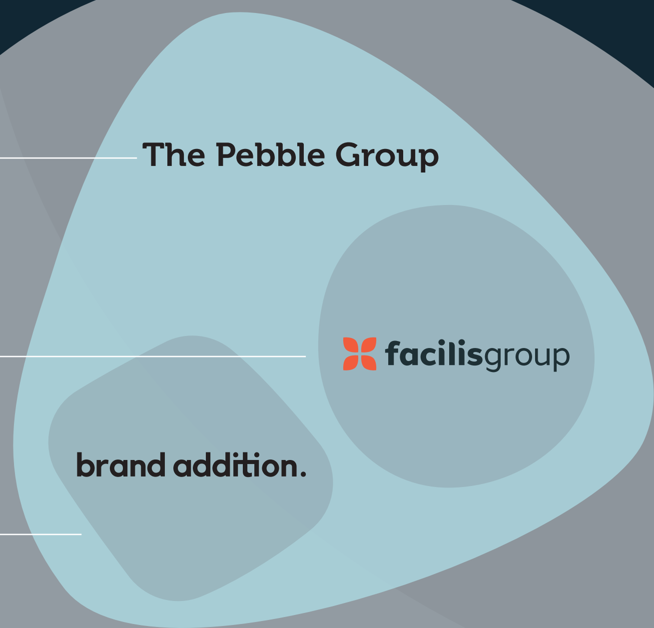
$1.5bn

SALES THROUGH OUR TECHNOLOGY

$1.4bn

SALES OF PROMOTIONAL PRODUCTS

$0.1bn



Our businesses

Our Group comprises two differentiated businesses in the $50bn promotional products market.

Our vision

The Pebble Group

Our vision is to provide industry leading digital commerce, products and related services to the global promotional products industry.

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

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

Why invest?

A large market

We occupy two differentiated, focused positions with significant addressable markets in a c.$50bn global industry.

Facilisgroup
Total Addressable Market (TAM) $650m with

3%
Market share

Brand Addition.
TAM $5bn with

3%
Market share

Lower risk

Facilisgroup has delivered uninterrupted growth since acquisition in 2018.

Brand Addition working under contract with blue chip clients, generating repeat revenues on a flexible operating model.

Facilisgroup
EBITDA margins

+50%.
54% Adjusted EBITDA margin in FY 22

Track record of growth

Facilisgroup had a 4-year revenue CAGR of 20% high visibility of earnings and strong cash conversion.

Brand Addition – has repeat revenues, enduring customer relationships.

Facilisgroup
SAAS revenues

20%.
4-year CAGR in FY 22

Capability and scale

Strong Balance Sheet to fund ambitious organic growth plan.

The Group's cash generation is funding significant investment in **Facilisgroup's** market leading technology to access full market opportunity.

Brand Addition centres of excellence in Europe, the US and Asia support many of the world's best known brands in engaging their stakeholders.

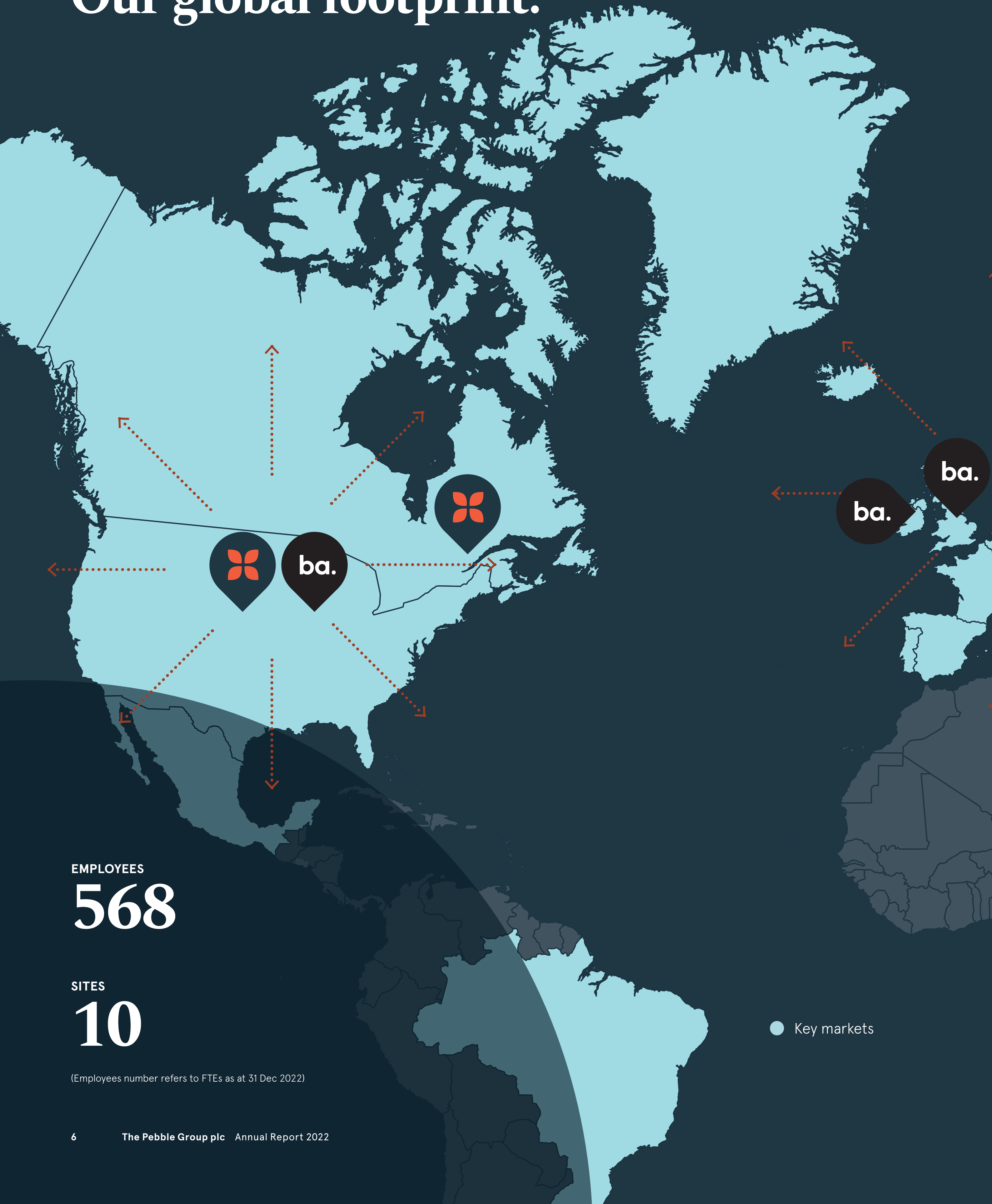
We provide digital commerce, products and related services to the global promotional products industry.

	facilisgroup	brand addition.
Results	ADJUSTED EBITDA **£9.0M** GROUP REVENUE 12 % GROUP ADJUSTED EBITDA* 44 % *this is excluding EBITDA from central operations	ADJUSTED EBITDA **£11.5M** GROUP REVENUE 88 % GROUP ADJUSTED EBITDA”* 56 % *this is excluding EBITDA from central operations
Overview	**Facilisgroup** provides technology solutions and a digital commerce platform to SME promotional product distributors in the United States and Canada, that enables them to benefit from significant business efficiencies and supply chain advantages.	**Brand Addition** is a leading provider of promotional products and related services that help the world’s most recognisable global brands build culture, awareness and meaningful connections. It designs products and product ranges, utilising its global network and technology infrastructure to source and deliver complex, sustainable, creative promotional merchandise solutions.
Services	**Software as a Service (SaaS) technology** to power efficiency and growth **Ecommerce platform** for online sales and processing **Supply chain consolidation** for supply chain advantage **Community** events and training	**Design** corporate ranges and bespoke products **Source** from ethical suppliers **Deliver** across the globe
Model	**Subscriptions** for technology and online stores **Fees** for supply chain management resulting in recurring annual revenues	**Margin** on products and services

Read more on page 9.

Read more on page 10.

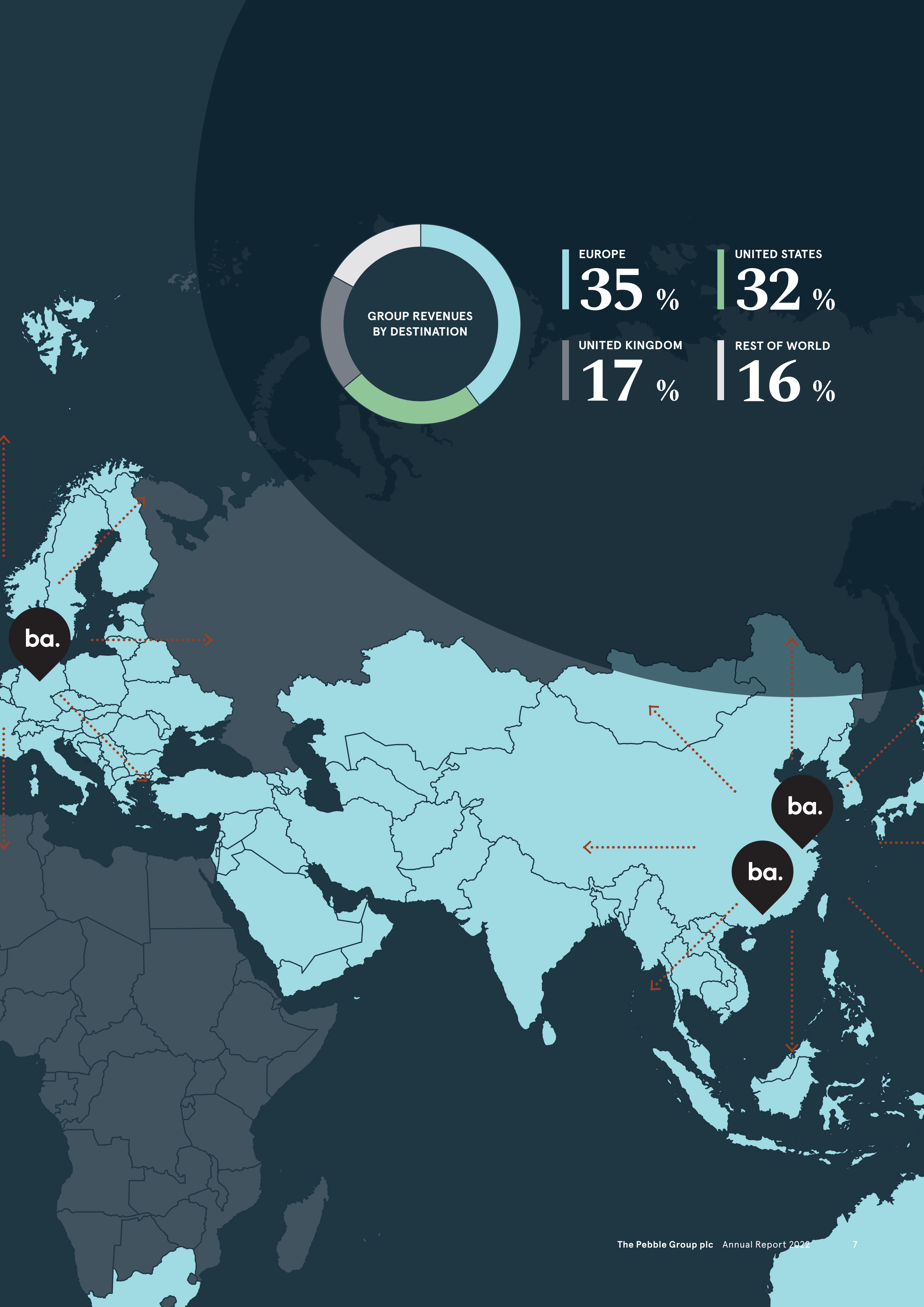
Our global footprint.



EMPLOYEES
568

SITES
10

(Employees number refers to FTEs as at 31 Dec 2022)


GROUP REVENUES BY DESTINATION
EUROPE
35 %
UNITED STATES
32 %
UNITED KINGDOM
17 %
REST OF WORLD
16 %
ba.
ba.
ba.

Our businesses

facilisgroup

Target market:

SME promotional product distributors in North America

Revenue model:

Subscriptions for technology and online stores, fees for supply chain management

Manages:

Over $1.40bn sales (up from $1.15bn in 2021) in the North American promotional products sector from 217 Partners (up from 200 in 2021)

Attracts and retains:

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

Revenue 2022:

£16.6m

Employees:

101

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

Our recurring revenues, 93% of FY 22 total revenues (FY 21: 96%), are derived from subscriptions for technology and a proportion of spend with our Preferred Suppliers flowing through the platform.

Established in 2004, and acquired by The Pebble Group plc in December 2018, Facilisgroup provides a SaaS-based platform to support the operations of SME promotional product distributors based in the United States and Canada. Facilisgroup has built a community of over 200 SME promotional product distributors, over 100 Preferred Suppliers in North America. In the year ended 31 December 2022 the business processed over $1.40bn of sales (2021: $1.15bn) for its Partners in the promotional products sector. A typical Facilisgroup Partner processes between $2million and $20million of annual sales through our technology.

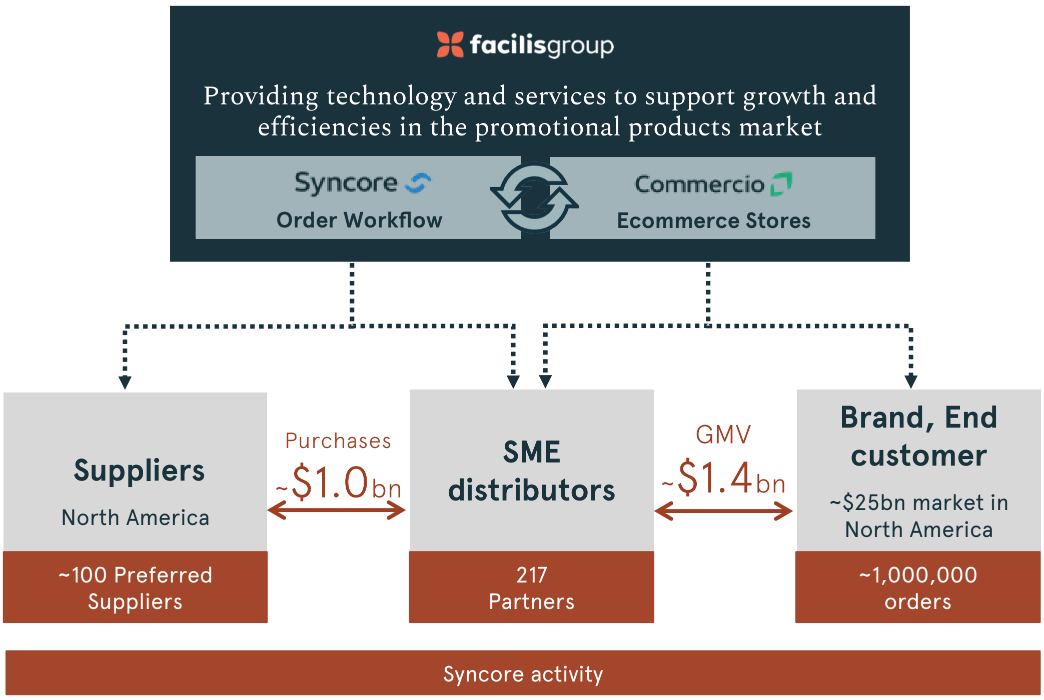
Facilisgroup attracts and retains Partners through its proprietary Syncore software, consolidating the buying power of its Partners and developing its community of Partners and Preferred Suppliers through learning and networking events. Its ecommerce platform, Commercio, which was launched in 2021, generates revenue through two main pillars: subscription revenue from providing technology to its Partners and income from its suppliers for coordinating the consolidation of spend. In FY 22, the majority of revenues were generated through Syncore with Commercio expected to contribute to revenue in FY 23.

Facilisgroup has offices in St. Louis, US and Ottawa, Canada. Its aspiration is to be the technology leader in the North American promotional products market.

Learn more at facilisgroup.com

Facilisgroup's business model

High visibility of recurring revenues with a growing customer base



Our businesses

Brand Addition's business model

Win, grow, retain, repeat

Suppliers
Europe, Asia, North America

↔ Working Capital

Brand Addition
£117m revenues

- Creative Services
- Ecommerce Platforms
- Sourcing & Quality Control
- International Logistics.
- Global Account Management
- Supply Chain Compliance

↔ Working Capital

Brand, End customer
Large corporates, under contract, seeking >£'m p.a. revenues per contract

Corporate Programmes, brand support
(~66% FY 22 revenues)

Consumer Promotions, driving sales
(~34% FY 22 revenues)

brand addition.

Target market:
Large global brands

Revenue model:
Margin on products and services

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

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

Revenue 2022:
£117m

Employees:
455

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

Its largest contracts are valued in the millions of pounds, with the products and services supplied being used for brand building, customer engagement and employee incentives.

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

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

Learn more at brandaddition.com

Chair's report

Another year of strong performance and growth.

Richard Law
Chair and Independent Non-executive Director

I am pleased to report on another year of strong performance and growth for The Pebble Group in 2022 with results for the year slightly ahead of market expectations.

We continued to invest significantly in new product development, during the year, particularly at Facilisgroup in its technology and sales and marketing. As a result, the Group ended 2022 with significantly greater capability, resilience and opportunity to scale. The Group Board would like to thank our talented team, once again, for their hard work and commitment.

Strategy and Long-term Vision

The Pebble Group's central tenet continues to be that the global promotional products industry is ripe for positive disruption, driven by three principal factors:

- the requirement from users of promotional products and, in particular, from leading global brands for confidence in the sustainability, provenance and innovative design of those products;
- the opportunity to deploy leading edge technology to what is a mature market to make it operate more sustainably and efficiently; and
- the global market is very fragmented, the majority of which is served by owner managed SMEs with a high concentration in North America. As technology proliferates, SME distributors will be disadvantaged without the availability of a Digital Commerce platform like that offered by Facilisgroup which supports their efficiency and growth.

The Group is approaching this market through its two complementary but non-competing businesses, Facilisgroup and Brand Addition.

Facilisgroup

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

The growth and profitability of Facilisgroup illustrates the efficacy of its technology with Annual Recurring Revenue (ARR) in the year of £15.5m (2021: £12.2m) and EBITDA margins of 54%.

Facilisgroup continued to develop and introduce new functionality to its market leading Syncore platform, as well as build API integrations for third party software. Syncore is principally focused on those independent promotional products businesses with sales greater than USD2.0m.

In June 2022, Facilisgroup launched its new Commercio stores solution to pre-selected customers for evaluation. Commercio enables businesses to create their own digital storefronts and is complementary with Syncore. The evaluation phase for Commercio completed in December 2022 and customers are now paying for this product.

Development also continued on Facilisgroup's Orders platform, which is a digital commerce solution for smaller promotional products distributors in North America with sales between USD0.5m to USD2.0m.

The significance of these investments to Facilisgroup and its future potential is detailed in the CEO's Report. In summary, however, Facilisgroup has taken a significant step forward to achieving its goal of providing a full service, cloud-based digital commerce platform for promotional products distributors of all sizes operating in North America.

Facilisgroup grew its total revenue in FY 22 to £16.6m (FY 21: £12.7m) and the strategy of the executive team is to continue this positive trajectory through ongoing investment in technology, sales and marketing, and the wider team.

Brand Addition

Revenue at Brand Addition increased by 15% on the prior year. The business remains focused on its core strategy to win, grow, and retain international contracts, often valued in millions of pounds per year, with many of the world's leading brands. During the year under review, Brand Addition increased its revenues through expanding and renewing its business with existing key clients, implementing new contracts won in 2021 and 2022, as well as winning a number of new contracts in the year, which will benefit 2023.

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

Dividend

The Pebble Group has now reached an appropriate point to begin the implementation of its dividend policy, as stated at IPO. As such, the Group Board is proposing a final dividend of 0.6 pence per share for FY 22, payable in June 2023. As we look forward, our intention is for this to be a progressive dividend policy moving, in the medium-term, towards our stated position at IPO of making dividend payments of circa. 30% of profit after tax.

New trading platform

The Company is in the process of applying for its existing Ordinary Share capital to be traded in the United States on the OTC Market's OTCQX trading platform. This will provide all stakeholders in the United States with access to trade in the Company's Ordinary Shares, in USD, during U.S. market hours. The Company is not seeking a fundraising in conjunction with this process.

Environmental, Social and Governance (ESG)

The Group's ESG cornerstones and priority areas, as identified through its materiality assessment, remain high on the Group Board's agenda. We published our second ESG report in October 2022 to provide a comprehensive review of our progress, which, we believe, shows the relevant and meaningful action we are taking in areas in which we can have the most impact. In the ESG section of our 2022 Report and Accounts, we update on the environmental work which is underway to reduce our Scope 1 and Scope 2 carbon emissions, with Scope 3 in planning stages; and provide information on the steps we are taking around Diversity, Equity and Inclusion (DEI), volunteering and community work. Governance highlights in 2022, of which we are proud, include the adoption of our Framework on Conduct, Ethics and Compliance and the integration of TCFD recommendations into our ESG strategy. We believe this demonstrates how the Group Board is taking active responsibility through effective governance.

We are confident in the value of our ESG approach and will look to develop it further to ensure alignment with best practice and expectations, as ascertained through active engagement with our stakeholders.

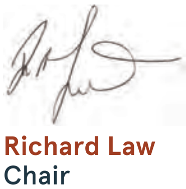
Team

At The Pebble Group, the Group Board and the Executive Team believe that the businesses accomplishments are achieved because of its talented and diverse team. We actively and effectively engage with our people on an ongoing basis, through newsletters, surveys, and employee forums. We also furthered several initiatives to ensure continued investment in, and development of, our people and to encourage diversity and engagement.

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

Summary and outlook

The new financial year has started well and in line with the Group's expectations. Our significant investments in 2022 provide the opportunity for further growth during 2023 and we look forward to the year ahead with confidence.



Richard Law
Chair
21 March 2023

Chief Executive Officer's review

Implementing our strategy for growth.

Christopher (Chris) Lee
Chief Executive Officer (CEO)

We are pleased to report the Group's results for the year ended 31 December 2022, which demonstrate a strong performance.

Group revenue increased by 16% on the prior year to £134.0m (FY 21: £115.1m) and Adjusted EBITDA increased by 17% to £18.0m (FY 21: £15.4m).

Alongside this financial progress, the Group has continued to implement its strategy for growth and gain momentum throughout what has been a volatile macro-economic backdrop since its IPO in December 2019.

People and Environmental, Social and Governance

Fostering trust and long-term relationships with our Partners, clients and suppliers is the foundation of the success of our businesses, Facilisgroup and Brand Addition. This stems from the talent and dedication of our people, many of whom have built and developed their careers in step with the progress of the Group. We are a diverse team, spread across multiple geographies and are stronger for this.

Credit for the results and progress in implementing our strategy lies with our people and I thank everyone at Facilisgroup, Brand Addition, and The Pebble Group for their support, thoughtfulness, and ability to achieve these positive outcomes.

Our ESG strategy is an embedded part of our business and we have made good progress against a wide number of topics during 2022.

Guided by best practice materials including the QCA Code as well as feedback from our teams, clients, and investors it has been important for the Group to develop our ESG initiatives in our own tone of voice. We identified our priorities in 2021 and published progress against these through our second standalone ESG report in October 2022 and further details will be included throughout our 2022 Annual Report.

We were delighted to receive the AIM Corporate Governance Award 2022, which recognises the efforts made by our businesses and demonstrate effective corporate governance, ensuring engagement with all stakeholders, the maintenance of key governance topics and effective integration of ESG responsibilities.

Our actions around ESG have a positive contribution to our Group's long-term success.

Review of The Pebble Group businesses

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

	FY 22	FY 21
ARR	**£15.5m**	£12.2m
Other revenue	**£1.1m**	£0.5m
Total revenue	**£16.6m**	£12.7m
Gross profit	**£16.6m**	£12.7m
Gross profit margin	**100%**	100%
Adjusted EBITDA	**£9.0m**	£7.6m
Operating profit	**£5.0m**	£5.1m

Our Values in action:
Enjoying the journey

FY 22 revenue of £16.6m (FY 21: £12.7m) was 31% ahead of the prior year with Annual Recurring Revenue (ARR) in USD (Facilisgroup home currency) of USD19.0m (FY 21: USD16.7m), representing 14% growth over the prior year. This revenue all derived from our Syncore technology product and the activities behind this for FY 22 can be summarised as follows:

- Partners totalled 217 (31 December 2021: 200) with a further eight contracted and awaiting implementation;
- GMV was USD1.40bn (FY 21: USD1.15bn); and
- Spend with our Preferred Suppliers was USD0.46bn (FY 21: USD0.35bn).

These key indicators heavily influence income from Syncore and result in a very robust and predictable recurring revenue stream.

We have continued to deliver strong revenue to profit conversion with Adjusted EBITDA margins in FY 22 of 54% (FY 21: 60%), while investing in our team, including sales and marketing to support Partner retention and bringing our new technology to market.

Operating profit was £5.0m (FY 21: £5.1m), as we have invested in our ambition to scale the business. During the year, we invested further in new technology products, Commercio Stores and Orders, with a FY 22 amortisation charge of £1.1m (FY 21: £0.4m). Revenue relating to this investment is expected from FY 23.

Facilisgroup has a highly attractive business model, consistently producing strong SaaS metrics. To illustrate, at the end of FY 22:

- 20%, four-year Revenue Compound Annual Growth Rate;
- 54%, Adjusted EBITDA margin;
- 30%, Operating profit margin;
- 110%, Net Retention Rate on Syncore technology subscription to Partners;
- 96%, Partner Retention Rate; and
- 130 customers for the new technology product Commercio.

Approach to the market

Facilisgroup provides a combination of technology, supply chain services and community training and events into the USD25bn North American promotional products industry.

Our strategy is to scale the revenues of the business, through three technology products that support the entire distributor market:

- Syncore: Increasing the number of Partners using 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 for our Syncore product;
- Commercio: Built specifically to support the needs of the promotional products industry, Commercio allows distributors of all sizes to create online stores for their customers that can either stand alone or integrate into our order workflow technology. Commercio was launched in June 2022 and customer uptake is growing. At 31 December 2022, there was a total of 130 Commercio customers made up from existing Syncore Partners and new customers, purchasing a Facilisgroup product for the first time. Our revenue model is to charge a small monthly fee per customer together with a monthly fee per store hosted. We continue to develop the functionality for Commercio and, each month, learn more about the track record of customer conversion, retention and store numbers. This is key to understanding how this will influence revenues through 2023. We estimate there is a total addressable market of circa 20,000 businesses for our Commercio product; and
- Orders platform: our order workflow product for the many thousands of smaller distributors with less than USD2m sales is in development. Our expectation is to launch this product in late 2023.

The team at Facilisgroup has undergone much change in the last three years whilst growing Syncore and bringing Commercio and Orders to the market. As we enter the sales phase of this investment, we are excited about the potential of the business.

Our goals in 2023 are to:

- continue to develop Syncore to maintain high Partner retention levels and accelerate Partner attraction;
- make progress in establishing Commercio as a marketing leading product in ecommerce for the promotional products industry in North America; and
- launch our order workflow product Orders for distributors with sales of less than USD2m.

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

	FY 22	FY 21
Revenue	**£117.4m**	£102.4m
Gross profit	**£36.1m**	£29.3m
Gross profit margin	**30.7%**	28.6%
Adjusted EBITDA	**£11.5m**	£9.9m
Operating profit	**£8.0m**	£7.1m

Chief Executive Officer's review

FY 22 revenue of £117.4m (FY 21: £102.4m) was 15% ahead of the prior year and 20% ahead FY 19, the last pre-Covid-19 results, of £97.9m.

Through its disciplined approach to only focus upon large corporates, under contract, Brand Addition has built close, long-term client and supplier relationships. Brand Addition works collaboratively with its clients to design creative and impactful products and product ranges, hosts client-branded ecommerce platforms, and provide international sourcing and distribution solutions.

The revenue increase in the year has resulted from continuing high client retention, a full year contribution from new clients won in 2021, new clients won in 2022 and further recovery from those clients that had not yet returned to pre-COVID-19 levels. In parallel to this revenue increase, the business grew its gross margins to 30.7% (FY 21: 28.6%) demonstrating its ability to retain gross margins at its long-term average of circa 30%.

This led to Adjusted EBITDA of £11.5m (FY 21: £9.9m) being 16% ahead of prior year.

The depth of experience of the team has proven invaluable over the last three years. The business has successfully grown despite the demand challenges of 2020 and global supply chain disruption in 2021 and 2022, including raw material price increases, freight rate increases, Brexit and inflation. We believe this performance demonstrates the inherent strength of its approach to the market, its established relationships and expertise, and the business's ability to continue to advance.

Approach to the market

There is a large addressable market for the specialist services offered by Brand Addition. Large 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 businesses employee engagement and brand building activities.

Large corporates outsource these categories of marketing spend, under contract, because they 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.

Brand Addition is an established business with a reputation for delivering these large and complex services under long-term agreements. With strong client retention rates, it has a proven its ability to grow consistently over the course of economic cycles. The business has a four-year revenue CAGR of 6%, despite the major disruption caused by the COVID-19 pandemic, and its gross margins remain strong.

Brand Addition has a target list of c.800 global opportunities within this addressable market with currently 70 clients comprising 95% of FY 22 revenue of £117.4m.

Our goals in 2023 are to:

- retain major client contracts together with the successful implementation of contracts won in 2022;
- attract new contracts with major international brands through our credentials in ESG, technology and creativity; and
- maintain our gross margins at the long-term target of 30% (FY 22: 30.7%).

Outlook

In Facilisgroup and Brand Addition we have two differentiated and focused businesses with large addressable markets. We remain disciplined in our growth strategies and positive in the belief of achieving our aspirational goals.

Christopher Lee
CEO
21 March 2023

Making progress against our goals.

Our Values in action:
Ambitious positivity

facilisgroup

Transforming the promotional products industry through the provision of digital commerce.

	Syncore	Commercio Stores	Commercio Orders
Strategic Objective	Order workflow, targeted at promotional product distributors with > $2m sales in North America. Growing annual recurring revenues (ARR) through the growth of Partner (customer) sales and the acceleration of Partner numbers.	Ecommerce platform for use by all promotional product distributors in North America. Provide online stores solution for the North American promotional products industry.	Order workflow, targeted at promotional product distributors with < $2m sales in North America. Launch an order workflow product to smooth order friction between suppliers and. the many thousands of smaller promotional product distributors in North America.
Progress in Year	We continued to maintain our excellent retention levels which, combined with new customer acquisition, delivered further growth in Partner numbers (increasing from 200 to 217 in the year). **217 Partners** +9%	Uptake is growing with 130 customers at 31 December 2022. **130 customers**	Investment continued to progress towards intended launch date in H2 23.
Goals for 2023	Maintain focus on our new Partner acquisition and accelerate rate of growth.	Make progress in establishing Commercio as a market leading ecommerce solution in North America.	Launch to market in H2 23.

brand addition.

Providing products to support global brands, build culture, awareness and meaningful connections with their stakeholders.

Strategic Objective	**WIN** client contracts with major brands.	**GROW** with existing clients across geographies and brands.	**RETAIN** major client contracts.
Progress in Year	The business continued its success in the acquisition of global contracts.	We experienced growth in the year from existing clients as working patterns stabilise in 2022 compared to 2020 and 2021.	Our top 20 clients, historically representing circa 70% of annual revenues, remained clients at the end of FY 22.
	For further detail on the impact on revenue from new client wins, growth in revenue of existing clients, and the impact on the business of revenue by client category, refer to the Key Performance Indicators on page 46.		
Goals for 2023	Attract new contracts with major international brands through our credentials in ESG, technology and creativity.	Develop our relationships with existing clients, maximise their sales with Brand Addition and successfully build on implementations from 2022.	Retain our major client contracts by continuing to engage their stakeholders and evolve the service we provide them.

Listening to our stakeholders.

Our Values in action:
One team, diverse and united

Stakeholder engagement

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

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

Our Key Stakeholders

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

Our teams

Why we engage	How we engage	Key topics of engagement	Impact of engagement
The sustainable success of our business depends upon engagement with our teams. The Group Board maintains and develops arrangements for engagement to promote the Group's culture and cascade its values, behaviours and expectations. The Group Board engages in this way to create a positive and inclusive culture, sensitive to the issues that affect our people, so they can thrive and grow. The Group Board engages through its Executive Directors and senior teams to ensure that the Group continues to develop and invest in its highly talented and dedicated people in the right way.	• See Group Board 'engagement with the business and teams' on page 58. • Group Board maintains arrangements via Divisional Leads and/or HR leads for: – team surveys – employee forums – use of personal development plans – enhanced training opportunities via Learning Management Software (LMS) – management development programmes – regular team newsletters • Executive Directors have input into regular team business performance and strategy updates by the senior leadership • Group Board ensures access to anonymous whistleblowing portal • Group Board operates the Long Term Incentive Plan (LTIP) and Group Sharesave Plan (SAYE) • Executive Directors host meetings with teams across the Group to update on LTIP progress	• Company vision: strategic plans including opportunities for departmental growth and advancement • Hybrid working strategy: need for a flexible working environment • Health and well-being support for our employees • Opportunities for growth and development and support in reaching full personal potential • Embracing diversity, equity and inclusion (DEI) • Environmental impact of our organisation: our work on ESG and commitments to sustainability • Social impact of our organisation: our volunteering opportunities and community initiatives • Ability of US based team to invest in the Company	• Teams are informed and therefore engaged • Improved transparency of team preferences at all levels across Facilisgroup to better inform decision-making on team structure and recruitment • Further focus on Group DEI policy and approach (See Nomination Committee activity on pages 63-64) • Further focus on talent pipeline and development of succession planning aligned with DEI (See Nomination Committee activity on pages 63-64) • More flexible culture and improvement of work / life balance • Promotion of leaders from within our businesses, alongside new talent sourced externally • Implementation of ESG initiatives and successful social and community engagement (See ESG pages 31-41) • Incentivisation of teams is aligned with the Group's medium to long-term performance and shareholder value • Steps taken to apply for the Company's Ordinary Shares to be traded in the US on the OTC Market's OTCQX trading platform

Clients and Partners

Why we engage

Effective engagement is key to attracting, and retaining, a quality client and Partner base from which our businesses can nurture strong and long-term relationships.

Our clients' and Partners' success is driven by the quality of our products and services. The Group Board ensures continued investment in the right technology, services and teams to enhance the Group's relationships and create long-term value on both sides.

How we engage

- See Group Board 'engagement with the business and teams' on page 58.
- Group Board maintains arrangements that foster business relationships with clients and Partners via its Divisional Leads in the form of:
  - regular client feedback sessions
  - dedicated 'Partner Success Managers' in Facilisgroup
  - hosting of regular in-person events (7-10 Partners) at Facilisgroup
  - Facilisgroup weekly client newsletter the '411'
  - monthly virtual education sessions on key topics for Facilisgroup Partners
  - Quarterly Business Reviews with key clients at Brand Addition
  - Brand Addition team presentation to clients on key topics
  - Client and Partner questionnaires including Net Promoter Scores (NPS) to measure client satisfaction

Key topics of engagement

- Supply chain management principles and sourcing strategies
- Ongoing development and improvement of our technology, services and client support
- Collaboration on growth strategies
- Training to enhance the benefits of using our technology with a focus on ensuring engagement
- Creative Product Merchandising and sustainability
- ESG and sustainability: how we can support and deliver on clients' and Partners' ESG commitments, whilst also achieving our own

Impact of engagement

- Tracking the NPS provides an indication of the value clients place on us and assists with maintaining strong retention. We have introduced as a new key performance measure for Facilisgroup and will continue to monitor progress
- Client retention: Clients and Partners have shown they value long-term relationships. In 2022, Brand Addition secured new business and retained contracts with all key clients and Facilisgroup Partner retention rates were 96%
- Strong referral community: new prospects for Facilisgroup contact an average of five current Partners before making a decision to join.
- Facilisgroup's community supports Partner collaboration and growth
- Brand Addition continues to place sustainability at the centre of its five-year strategic development plan 'ba.ONE sustainability and growth'
- Further investment into a Sustainability team in Brand Addition with the hire of three sustainability product managers
- Better informed clients with targeted products to meet their brand engagement requirements and sustainability product needs

Our stakeholders

Strategic suppliers

Why we engage	How we engage	Key topics of engagement	Impact of engagement
The quality of our products and services is heavily influenced by the careful management of our relationships with our strategic suppliers. Facilisgroup's suppliers are trusted partners delivering to a shared customer base. Supplier engagement is a key part of the Facilisgroup business model. Developing the community between Preferred Suppliers and Partners creates additional opportunities for all. Ensuring we retain, and develop, our diverse and robust supply base is more important than ever to manage global supply chain challenges. Brand Addition's collaboration with key suppliers in Asia, Europe, and North America develops and ensures robust long-term trusted partnerships with suppliers that conform to clients' and Group's expectations on ethical values, ESG, and sustainability standards.	• See Group Board 'engagement with the business and teams' on page 58. • Group Board maintains arrangements that foster business relationships with suppliers, via Divisional Leads, in the form of: – use of formal written contracts, negotiated transparently and openly to set clear expectations – regular face-to-face and virtual meetings to discuss performance and provide feedback – two-way evaluation processes to facilitate business improvement – formal audit processes to provide feedback and opportunities for development • Executive Director participation in supplier networking events, providing efficient, easy access to growth and development opportunities	• Supply chain impact and risk mitigation from product sourcing to logistics and delivery. This relates to both direct and indirect production, shipping and impact on lead times and costs • Changing industry trends and future relationships • Efficiency strategies, growth opportunities • Supporting the Group's ESG and sustainability commitments and goals, specifically: environmental impact of product being supplied, packaging, supply chain • How the Group can assist, influence, and develop its suppliers' own ESG and sustainability plans	• Suppliers value mutually supportive relationships and in both Facilisgroup and Brand Addition, spend with Preferred Suppliers grew in FY 22 vs. FY 21 • Long term relationships with our suppliers enabled us to continue to secure products while supply chains were challenged • Demonstration of compliance criteria requirements being met and shared with Brand Addition team and customers • Alignment on key supply chain requirements and principles to ensure the safety and security of the overall supply chain

Shareholders and the wider investment community

Why we engage	How we engage	Key topics of engagement	Impact of engagement
The Group Board seeks shareholders who are aligned with its long-term objectives. Access to long-term capital supports its strategy. The Group Board is therefore committed to continually developing the understanding of our business model, strategic objectives and culture for both existing and potential investors. Throughout 2022, the Group Board has considerably increased its engagement with the investor community with the aim of ensuring that the Group's operations, financial performance and governance are clear and understood, and to provide the necessary information to ensure all investors can make informed judgements. Investors and analysts require the Group Board's engagement on ESG to guide their investment stewardship activities.	• Publication of Annual Report and ESG report • Regular and detailed trading updates to the market • Commissioning paid for research with new dedicated page on the Company's website to improve accessibility for all investors • Open access investor presentation by CEO and CFO including live Q&A via a live webcast (FY 21 and HY 22 webcasts available on the Company's website) • Availability of CEO and CFO to answer questions around trading updates throughout the year • One-to-one investor meetings (in person and virtual) with the CEO/CFO on markets, strategy and progress - circa. 100 took place in 2022 • One-to-one investor virtual meetings with the Chair on approach, values and principles in relation to governance - five took place in 2022 • Investor stewardship meetings with Group Senior ESG Officer and Group General Counsel to discuss ESG priorities and progress – two took place in 2022 • Formal independent investor feedback exercise on our Group ESG strategy and disclosures was conducted in Q4 2022 • Detailed 'Investor' section on the Company's website • Annual General Meetings with advisory vote on directors' remuneration report • Availability of Chair of the Group Board and Chair of each Board Committee at AGM to answer questions • Ad-hoc meetings or written responses as requested by existing and potential shareholders and analysts	• Group structure and releasing shareholder value • Share liquidity and valuation • Business performance and speed to scale • Product stack expansion plans within Facilisgroup • Business performance over the medium to long-term, recovery post pandemic and ability to withstand recession conditions • Management, leadership, skills and ability • Global nature of business and dilution of impact of UK economy • The continued value and use of promotional products in businesses with 'green'/sustainability strategies • Group approach to ESG, climate change and corporate governance (see ESG pages 31-41 and TCFD pages 42-43) • Group approach to diversity, equity and inclusion (see Nomination Committee activity on pages 63-64)	• Improved investor knowledge and understanding of the Group, its operations and activities • Investor relations activity and feedback discussed regularly at Board meetings and factored into decision-making by the Group Board • Inclusion of new information in Annual Report. For example, Introduction to the Promotional Products industry on page 2 and Our global footprint on page 6 • Improved transparency of Group information with open access Investor Relations content available on the Company's website • Group Senior ESG Officer and General Counsel increased active support to the Group Board and Operating Boards to ensure the highest standards and delivery on ESG commitments • Improved understanding from investor ESG feedback to be factored into future ESG disclosures and the development of future ESG objectives and targets • Progression of DEI policy and approach (see page 64) • Recognition at the AIM Awards 2022 in the form of a nomination for the 'Best Investor Communications Award' and being awarded the 'AIM Corporate Governance Award' • Steps taken to apply for the Company's Ordinary Shares to be traded in the US on the OTC Market's OTCQX trading platform

Section 172(1) statement.

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

Our Values in action:
Always learning and growing

This section describes how the Directors had regard to the matters in Section 172(1) (a) to (f) of the Companies Act 2006 in Board discussions and actions, behaviours and decision-making, when performing their duty to promote the success of the Company for the benefit of shareholders as a whole during 2022.

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

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

The next pages describe three examples of key decisions or initiatives during 2022 which focused on issues of importance to the Company's long-term success. They describe each stakeholder group that was relevant to the decision or initiative and how they, and other matters set out in Section 172(1), were considered.

Example 1

Investor Relations Strategy

The Group Board decided to enhance its investor relations strategy during FY 22 with the objective of increasing the Group's profile with existing investors and potential investors. The aim being to ensure the Group's operations, financial performance and governance were clear and understood.

This included:

a) Widening broker coverage and following, including commissioning paid for research and the introduction of a new dedicated 'analyst coverage' page on the Company's website.

b) Increased one-to-one investor meetings (in person and virtual) with the CEO and CFO on markets, strategy and progress - circa. 100 meetings took place.

c) One-to-one investor virtual meetings with the Chair of the Board on approach, values and principles in relation to governance - five meetings took place.

d) Investor stewardship meetings with Group Senior ESG Officer and Group General Counsel to discuss ESG priorities and progress – two meetings took place.

e) Engagement of third party to conduct an independent investor feedback exercise and report on the Group's ESG strategy and disclosures.

f) Taking steps to apply for the Company's Ordinary Shares to be traded in the US on the OTC Market's OTCQX trading platform.

Key stakeholder groups

Our shareholders and the wider investment community

It is important that the Group Board fosters strong and transparent avenues of communication with its shareholders and provides clear and accurate information to ensure that all existing and potential investors can make informed judgements.

How Directors had regard to stakeholders' interests and engagement output

Identifying the points of interest for our shareholders and the wider investment community was completed through engagement outlined on page 21 and by working closely with our broker advisers. This was factored in by Directors when building this strategy.

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

Reputation

The Directors considered that this enhanced investor relations strategy would be likely to build and strengthen the Group's reputation in the market, for meeting targets and having sound strategy and strong governance.

Long-term impact

The likely long-term benefit of the strategy for the future success of the Company, for the benefit of its shareholders as a whole, was relevant and taken into account.

Section 172(1) statement

Example 2

Adoption of Group Framework on Conduct, Ethics and Compliance

The Audit Committee recommended adoption of the new Framework on Conduct, Ethics and Compliance. The Framework covers all risk and compliance priorities and aims to cultivate a culture of strong professional ethics and responsible practices within our businesses, as cascaded down from the Group Board. The Group Board approved the Framework in Q4 2022.

Key stakeholder groups

Our teams
The ethics and integrity of an organisation are increasingly important to employees when making career decisions. Employees want to work for companies they are proud of. The Framework provides visibility and clear messaging to our teams from the Group Board about issues that are important, where it stands in relation to those issues, and what employees can expect.

Our clients and Partners
Matters of ethics and compliance are a priority for clients and Partners when they choose who to partner with in their own operations. Our clients choose Brand Addition as the closest thing to managing their promotional products needs in-house and consider the Brand Addition team as a continuation of their own. These customers are large, reputable brands that demand high standards of conduct, ethics and compliance. It is crucial that we can align with them and demonstrate our professional ethics and responsible practices through tone set from the top.

Our shareholders and the wider investment community
It is important that the Group Board can demonstrate our culture to the market through tone set from the top and our policies and processes, to provide reassurance to investors in the context of their responsible investment and stewardship obligations.

How Directors had regard to stakeholders' interests and engagement output

Understanding of the interests of key stakeholder groups was obtained and understood through engagement with all of our key stakeholder groups as outlined on pages 18-22. A report to the Audit Committee and Board set out the various interests which were discussed at the relevant meetings. The Group Board concluded that achieving a leading position in conduct, ethics and compliance (as embodied in the Framework), together with raised awareness and understating of the Group's priority issues, would be received positively by the stakeholder groups noted.

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

The following were reported to the Audit Committee and Board and were discussed during decision making:

Risk management
How the Framework aimed to improve awareness of possible risk areas across the Group and ensure that all personnel were alert to risks and aware of action to take in order to manage and mitigate them.

Culture and reputation
The design of the Framework to ensure that strong professional ethics and responsible practices are effectively and consistently applied. This was noted as likely to build and perpetuate a culture of compliance and high standards within our workforce and a reputation for strong governance. Moreover, its implementation could reduce the likelihood of, and/or mitigate the impact of, issues arising which could negatively affect reputation.

Impact on the environment
How the Framework acknowledges the importance of the Company's role and responsibilities in protecting the environment and limiting the impact of climate change. In addition, how it increases awareness of the Company's policies and efforts to reduce impact on the environment, including thorough reducing reliance on fossil fuels and reducing our greenhouse gas (GHG) emissions.

Impact on the Company's wider social responsibilities
How the Framework covers the Company's commitments to responsible business practices, which benefit society at large. Including guarding against bribery, corruption, conflicts of interest, misuse of inside information, discrimination, harassment, and tax evasion. In addition, how the Framework emphasises the Company's requirements for fair/professional behaviour, respecting health and well-being, protecting confidential information/personal data, adherence to product quality, compliance and safety, responsible procurement practices, and promoting diversity, equity and inclusion.

Example 3

'The RACE Code' Exercise

The Nomination Committee identified the value in obtaining an external expert view of the Group's DEI strategy and approach. In Q4 2022, the Committee approved the appointment of an external governance consultant to commence 'The RACE Code' exercise to review and advise whether our strategy and approach is sufficient and appropriate to improve diversity within our businesses and to provide firm direction on how to progress our DEI efforts, particularly around ethnic diversity.

For more details see pages 36-38 in the ESG section of this report.

Relevant key stakeholder groups

Our teams
DEI issues are increasingly becoming a priority for employees. It is important that our employees know the Group takes meaningful steps to ensure that its DEI strategy and approach is creating an inclusive workplace and culture and there are no barriers to disadvantage anyone from progression. Enhanced diversity and equality should lead to a better workplace for our entire team.

Our clients and Partners
Our current and potential clients and Partners display broad diversity. It is crucial that we are open, relevant and connected with them. Feedback from clients provides insight that DEI issues are increasingly becoming a priority for them in their own operations, and it is likely to begin to extend into their choice of partners. A strong DEI strategy that shows results can help us win, grow and retain clients and Partners.

Our shareholders and wider investment community
The investment community expects companies to have meaningful diversity, including at Board and senior levels, at least consistent with local market regulatory requirements and best practices. Institutional Shareholder Service (ISS) UK voting guidelines have minimum requirements for ethnic minority representation on certain sized company boards.

How Directors had regard to stakeholders' interests and engagement output

Understanding the interests of key stakeholder groups was obtained and understood through engagement with all of our key stakeholder groups as outlined on pages 18-22. A report to the Nomination Committee set out the various interests noted above and were discussed at a Committee meeting. The Committee regarded this exercise in itself as a means of obtaining valuable insight from stakeholders on how well the Group does on DEI issues, which was extremely important. The Directors concluded that a tangible DEI plan to improve diversity was valuable and this decision would positively impact attraction and retention of the best talent to our Group, and the best quality of clients and suppliers, thereby enabling the continued successful growth of our businesses.

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

The following were reported to the Nomination Committee and Board and were discussed during decision making:

Culture and reputation
The positive impact on the Company's culture of the review itself and the resulting action plan which would send a strong message that the Group spends time and resources to take real steps to ensure that its DEI strategy and approach is meaningful and likely to achieve results.

Wider social responsibilities
The positive impact in the context of social responsibilities, was relevant and taken into account.

Long-term impact
The likely long-term benefit of the review for the future success of the Company, for the benefit of its shareholders as a whole, was relevant and taken into account.

Environmental, Social and Governance ("ESG").

Stakeholder interests, business needs and best practice drive our approach to ESG.

By listening to our stakeholders, we focus on the ESG issues that matter to us and to the sustainability of our business in the long-term. We challenge ourselves to make commitments to ESG that are meaningful and to address ESG demands in a genuine way, with the aim of future proofing our operations and holding ourselves accountable. We see ESG reporting and disclosures as an opportunity to differentiate our Group by sharing the progress we have made against these commitments.

We aim to act responsibly through effective governance, managing our direct social and environmental impacts and risks throughout our operations and striving to drive positive change throughout our value chain. Our intention is to be transparent in our approach, in our commitments and how we measure and deliver against them in terms of clear targets and aspirations.

How we integrate ESG into our strategy and business activities:

BUSINESS

facilisgroup

Providing digital commerce, products and related services to SME promotional product distributors

brand addition.

Providing products and services to large global brands

ESG CORNERSTONES

- RESPONSIBLE BUSINESS PRACTICES
- BOARD INDEPENDENCE, ETHICS AND LEADERSHIP
- DIVERSITY, HEALTH, WELL-BEING AND ENGAGEMENT
- IMPACT OF OUR BUSINESS ON THE ENVIRONMENT AND OUR COMMUNITIES

BUSINESS ACTIVITY

SAAS TECHNOLOGY To power efficiency and growth	**DESIGN** Corporate ranges and bespoke products
SUPPLY CHAIN For supply chain advantage	**SOURCE** From ethical suppliers
COMMUNITY Events and training	**DELIVER** Across the Globe

KEY STAKEHOLDER VALUE

CLIENTS AND PARTNERS

- Trusted suppliers with high standards, strict ethical values and responsible business practices
- Supply chain transparency and accountability
- Responsibly sourced and sustainable products
- Achievement of our own ESG targets/transition to a low carbon economy
- Opportunities for collaboration and growth
- Creative, bespoke exciting products to help brands connect with their customers

SHAREHOLDERS AND INVESTORS

- Full top-down engagement on ESG to ensure long term value and guide investment stewardship activities
- Open and transparent engagement with Board/ Directors
- Clear Group disclosures aligned with best practice
- Effective risk management and oversight/controls, incorporating climate risk and mitigation

STRATEGIC SUPPLIERS

- Carefully managed transparent relationships
- Accountable for/ability to demonstrate high standards, strict ethical values and responsible business practices
- Part of a customer community and access to networking events to create growth and development opportunities

OUR TEAMS

- A positive and inclusive culture, sensitive to the issues that affect our people, so they can thrive and grow
- Development and investment in our people
- Improved focus on talent pipeline and development of succession planning aligned with DEI
- Increased and improved flexibility in working patterns

2022 highlights.

Group carbon emissions

- Established a Group baseline for Scope 1, Scope 2, and Scope 3 emissions
- Reduced Scope 1 and Scope 2 emissions by 8% from our 2021 base year
- Started to develop a plan to address Scope 3 emissions

Reduced Scope 1 and Scope 2 emissions by

8%

Transition to renewable electricity

36% of Group sites are now using renewable electricity

Supplier and Partner engagement

- Partner Summit and Supplier Showcase brought together 120 distributors and 63 suppliers
- Launch of a ESG steering committee

Carbon neutral distribution

- The Group is prioritising the use of carbon neutral logistics options for all final mile deliveries, where available

Employee well-being

- Employee wellness programme expanded to include all Group locations

Diversity, Equity and Inclusion (DEI)

- DEI being prioritised through training and succession planning
- Approval of "The Race Code" initiative to review and improve our DEI strategy and approach using an external governance consultant (to be undertaken in 2023)

51% female representation across our Group-wide leadership team

40% female representation on our Group board

Volunteering

810hrs
Group volunteering hours donated in our first year of launching our volunteering initiative

Materiality Assessment

Identifying our key material ESG issues.

Our ESG priorities continue to be informed by our materiality assessment, from which we developed our bespoke framework and four ESG cornerstones. Our materiality assessment has enabled us to identify and prioritise the ESG related topics that are important and relevant to our business and our stakeholders. The assessment was internal, drawing from the experience and insight of our teams at different levels in the business and incorporating feedback from past and current dialogue with our stakeholders. To ensure that the ESG topics remain relevant the assessment. The assessment is reviewed by the Group annually incorporating feedback from internal and external stakeholders for continued relevance and suitability. For further details, please refer to pages 17 – 18 in our 2022 ESG report.

ESG report 2022.

In October 2022 we published our second ESG report, evolving and building upon our initial 2021 report and providing a detailed, in-depth review and update on our approach to ESG, our action taken and progress made towards our targets during 2022. An overview is provided in the sections below and you are encouraged to read our full ESG report for more detail, which is available in the 'Investors' and 'ESG' sections of our website.

Reference tool

Look out for the markers in the report to guide you to further information found in our ESG report 2022 available at thepebblegroup.com

Sustainable Development Goals

Throughout the ESG section of this report you will see how our priorities align with the UN sustainable development goals.

For further details please see pages 19 -20 in our 2022 ESG report.

Energy and climate change

Priority	Our aim	UN Sustainable Development Goals
Minimising our impact on the environment and our communities	To make a positive long-term difference to our people and the communities in which we work, while minimising our impact on the environment.	13 CLIMATE ACTION

Greenhouse gas emissions

The Group is committed to minimising its impact on the environment. We see reducing the emissions of our direct operations, responsibly sourcing the products we supply and driving positive change throughout our supply chain with key strategic suppliers as fundamental to achieving our aim.

In 2022 we accelerated our efforts to calculate our Group GHG emissions, which included the calculation of the Scope 1 and Scope 2 emissions for all of the sites operated outside of Europe and a Scope 3 assessment. The Scope 3 assessment was undertaken with the support of a third-party specialist, Normative.io for our Brand Addition business and publicly available carbon calculators, such as the Greenhouse Gas Protocol Scope 3 evaluator to calculate Facilisgroup's Scope 3 emissions.

For details please see pages 26- 32 of the ESG report 2022

Scope 1 and Scope 2 emissions

We continue to make good progress in reducing our Scope 1 and Scope 2 emissions. In 2022 we transitioned another of our sites over to renewable electricity and signed a renewable gas contract where the gas we use is matched with 100% renewable gas guarantees of origin (RGGOs) or Biomethane certificates (BMCs). These actions have enabled us to reduce our Scope 1 and Scope 2 emissions by 8% (market based) against our 2021 base year and to increase our renewable electricity to 36% across all Group sites.

In Germany, we have consolidated our operations into a newly built warehouse and office facility with LED lighting and more efficient heating, which will serve as the European sales office and distribution hub for our Brand Addition business. This improves our business efficiency and further reduces our carbon footprint.

In 2023 we aim to convert our final European site over to renewable electricity and for the remaining sites that do not currently have access to renewable energy we will purchase renewable energy credits (RECs) to achieve our target of transitioning all of our sites over to renewable electricity by the end of 2025.

Scope 3 emissions

Measuring our Scope 3 emissions is just the start of our journey, and we recognise the challenges we face across the Group to reduce our Scope 3 emissions and improve the accuracy of our emissions figures, moving from spend based calculations to using activity-based data. As we gain a better understanding of our Scope 3 emissions and as we develop our long-term strategy to reduce our emissions, we will remain transparent and explain any changes to our approach or methodologies.

We have begun to take action to tackle our Scope 3 emissions in our largest emission categories.

- In 2022 we engaged with our logistics partners to utilise carbon neutral delivery options such as DHL Go Green, to reduce our carbon emissions associated with final mile deliveries to our clients.
- Engagement project with our supply chain to encourage change and to understand the current steps suppliers are taking to measure and reduce their impact. This project is aimed at encouraging our suppliers to start to take meaningful action to reduce their own emissions, and drive demand for more sustainable products and materials.
- Improvements to the granularity of Scope 3 data has enabled the Group to improve the accuracy of its reported emissions. This has involved improving the categorisation of products being sold from suppliers, gaining better visibility of supplier specific emissions, and improving the categorisation of transport modes when transporting and distributing products. These improvements to data accuracy and the steps we have taken, moving to carbon neutral logistics options has enabled the Group to reduce its Scope 3 emissions by 2% in 2022.

Group Energy and GHG emissions

Energy consumption (MWh)	2022	2021	Variance
Gas	1,246	1,342	-7%
Electricity	1,414	1,407	1%
Transport fuel	160	117	37%

GHG emissions (Tonnes CO2e)		2022	2021	Variance
Scope 1	Stationary combustion (Gas) - Location based	251	271	-7%
	Stationary combustion (Gas) - Market based	211	271	-22%
	Mobile combustion (Company owned vehicles)	34	26	31%
Scope 2	Purchased Electricity (Location based)	434	410	6%
	Purchased Electricity (Market based)	439	450	-2%
Scope 3	Purchased goods and services	40,780	39,044	4%
	Fuel-and energy-related activities (not included in scope 1 or scope 2)	178	183	-3%
	Upstream transportation and distribution	8,990	12,036	-25%
	Waste generated in operations	1	1	0%
	Business travel	410	290	41%
	Employee commuting	336	265	27%
Total Scope 1 and Scope 2 emissions (Market-based)		**684**	**747**	**-8%**
Total Scope 3 emissions		**50,695**	**51,819**	**-2%**
Offsets purchased		825	-	-
Total emissions (Market-based)		**50,554**	**52,566**	**-4%**
Total energy consumption		**2,820**	**2,866**	**-2%**
% Renewable electricity		36%	27%	9%

GHG emissions have been calculated by each Group business and combined to provide a Group GHG emissions figure.

Scope 1 and Scope 2 emissions have been restated to reflect changes made to our methodology and improve the accuracy of our reporting as described below.

Market based stationary combustion has been added to reflect the purchase of biogas in 2022 backed by RGGOs / BMCs.

Brand Addition

Emissions have been calculated using the Normative carbon reporting engine unless otherwise stated.

Employee commuting has been calculated using the relevant 2022 DEFRA (Department for Environment, Food & Rural Affairs) emissions factors (EFs).

Purchased electricity figures have been re-stated to include the AIB (Association of Issuing Bodies) production mix EFs for location-based figures and residual mix emission factors for market-based emissions used by the Normative carbon reporting engine.

Facilisgroup

Natural gas consumption (stationary combustion) for Canada has been restated to include more accurate emission factors as published by Environment and Climate Change Canada.

Purchased electricity for North America has been calculated using the EFs reported in the Normative carbon reporting engine.

Employee commuting has been calculated using the relevant 2022 DEFRA (Department for Environment, Food & Rural Affairs) EFs.

Scope 3 emissions have been calculated using the Quantis Greenhouse Gas Protocol Scope 3 evaluator.

Responsible sourcing and business practices

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

Product sustainability

Across our Group we work with a large array of clients and suppliers to fulfil promotional product requirements. In Facilisgroup, we connect Partners (customers) with Preferred suppliers and in Brand Addition, we are working with clients to design, source and deliver millions of products to support promotions.

Product sustainability starts with understanding our clients' needs. Our aim, when developing new products or product ranges, is to select creative products recognised by our clients' target audiences that are visually desirable, of good quality, form a meaningful connection with the brand and are items that the recipient will want to bring home and keep.

When choosing or developing products, material selection plays a vital role. We prioritise items that are made from sustainable materials such as organic cottons, recycled plastics or materials that are less resource intensive during the production process. We always strive to develop products that are desirable and useful and that will be long lasting. We aim to prioritise the use of materials that can be easily recycled at the end of their useful life, to support the circular economy.

COFFEE CARBON EQUIVALENT TO THREE CAPSULES + FIVE RECYCLED PLASTIC BOTTLES + VIRGIN ACRYLIC = ONE UPCYCLED BLANKET

Responsible sourcing

The Group has a mature vendor management process which ensures that all suppliers used are validated through a robust vendor assessment. On-site assessments are mandatory for any product suppliers located in high-risk countries such as Turkey, China or other parts of Asia. These assessments are predominantly undertaken by our own audit team. Our vendor assessments consider social and ethical business practices, working conditions and product quality and compliance obligations. If issues are identified, corrective action plans are issued and followed-up to ensure completion. If any critical issues are identified or actions not completed, the supplier is blacklisted and cannot be used. Re-assessments are conducted every two years.

In 2022, Brand Addition undertook a total of 213 on-site vendor assessments of its supplier network. 13 critical non-conformances were identified and six suppliers were blacklisted.

Each business has mandatory compliance clauses integrated into their Third-Party Partner and supplier contracts which include corporate social responsibility, anti-bribery and corruption, anti-slavery and human trafficking, trade restrictions and facilitation of tax evasion. These contracts include termination rights for non-compliance. In 2022 we extended and publicised access to our Group whistleblowing portal to our suppliers as well as Group employees.

For further details or our approach to product sustainability and responsible sourcing please refer pages 42 - 49 in our ESG report 2022

Packaging and waste

We aim to ensure that all of the packaging we use can be kerbside recycled and we prioritise the use of recycled materials in our packaging. Since 2017, we have reduced the amount of single-use plastic packaging used in our UK warehouse by 90%. In 2022 we reduced this by a further 6%. In 2023 we are embarking on a project to further align the packaging used across each of our warehouse locations and to select the most appropriate materials to ensure that packaging can be easily recycled by the end user.

The majority of waste generated across the Group consists of cardboard and plastic pallet wrap from transit packaging. In 2022, we encouraged employees to take part in 'litterless lunches' and we have undertaken waste audits to highlight what waste is being disposed of, how this can be reduced, and how it should be correctly segregated. In 2023, we aim to work across our warehouse locations to standardise our approach so that we can more accurately measure and track our waste.

10+ million units

WITH PLASTIC FREE AND RECYCLABLE PACKAGING SINCE 2020

Diversity, health, well-being and engagement

Priority	Our aim	UN Sustainable Development Goals
Diversity, health, well-being and engagement	To expand, celebrate and embrace individuality and diversity, providing a safe environment where we promote well-being and a healthy work-life balance.	

Diversity, Equity and Inclusion (DEI)

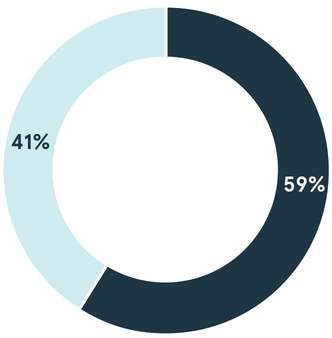
We believe that building a diverse and inclusive culture will lead to a better business, a better place to work for our entire team and, ultimately, will make the Group more valuable and effective overall. We therefore value diversity and are committed to taking steps to enhance DEI throughout our Group with the aim of expanding, celebrating, and embracing individuality and diversity in our teams.

Our Group DEI policy and our Succession Planning process sets our approach to DEI and are how we aim to embed and enhance our commitment to diversity further into our businesses. We see ourselves on a journey to continuously improve on these matters. Our DEI policy covers diversity in ethnicity, gender, age, disability, education and socio-economic background, sexual orientation, and the representation of minority groups. We also see diversity of personal attributes having equal importance and our aim is to build a team that consists of individuals who have a range of skills and attributes, and we are therefore also focused on diversity in cognitive and personal strengths. Our Succession Planning process works alongside this.

FY 22 Group diversity figures

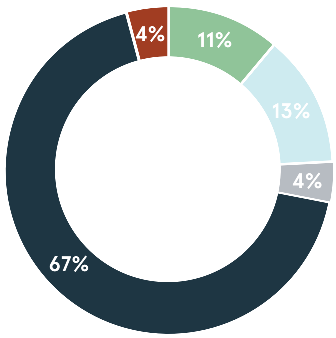
We employ 568 talented individuals across the Group and we consider our gender balance to be an area of strength. We are also proud of the broad national representation range of 27 different nationalities represented by our Group employees and that circa. 36 different languages are spoken by them.

GENDER SPLIT



Female (334)
Male (234)

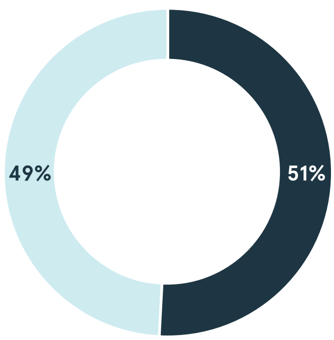
DIVERSITY SPLIT



Asian (76)
Black (25)
White (379)
Other ethnically diverse team member* (24)
Not known or prefer not to say (64)

*Other ethnically diverse team member incorporates: Hispanic/Latino, Mixed, Other, Pacific Islander, Native American

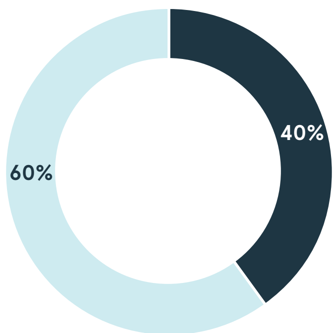
GROUPWIDE LEADERSHIP GENDER SPLIT



Female (37)
Male (36)

(Operating Boards, their direct reports and Group Executive Committee)

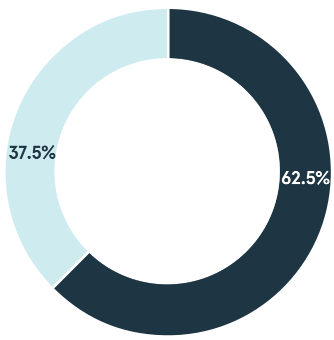
GROUP BOARD GENDER SPLIT



Female (2)
Male (3)

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

GROUP EXECUTIVE COMMITTEE GENDER SPLIT



Female (5)
Male (3)

We also have good gender balance throughout the senior teams within our businesses.

(Diversity figures based on numbers of FTEs as at 31 December 2022)

Diversity, health, well-being and engagement

During 2022:

- We conducted an annual Group-wide Diversity Study and Gender Pay Assessment. This provided insight to help monitor our DEI progress and shape our actions to address areas for improvement. The teams across our businesses have been tasked with attracting a more diverse pool of talent. The results of the December 2022 diversity study can be found on the page above and the Gender Pay Assessment results can be found on page 56 of the ESG report 2022.
- Our Group actioned a number of initiatives aimed at delivering our DEI and succession planning commitments and embed the right approach into their culture in a real, meaningful way. This includes:
  - work to improve our recruitment process;
  - working with agencies known for diverse candidate pools and diversity job boards;
  - implementing DEI training across the Group using on-line training
  - platforms and targeted DEI training sessions on subjects such as unconscious bias;
  - introduction of a 'diversity calendar' to celebrate our differences, create fun and enhance inclusive culture in the workplace;
  - creation of a 'Diversity, Health, Well-being and Engagement' Committee within Facilisgroup with responsibility for leadership of DEI initiatives;
  - a new foundation in Facilisgroup to identify internal talent for succession purposes; and
  - changes to annual performance review process.
- We have a DEI Executive Sponsor in each of Facilisgroup and Brand Addition which meet at least annually with the Group Chair of the Nomination Committee to discuss DEI progress.

The Group's aim is to continue to improve diversity. A Nomination Committee decision was made at the end of 2022 to focus on ethnic diversity and embark on an initiative run by an external governance consultant, called 'The RACE Code' during 2023 and beyond. Please see page 25. This will provide an independent view of the Group and practical guidelines to bring about real change in the area of race equality in the workforce. The culmination of the exercise will provide a credible review of our DEI progress to date, and a tangible three-year action plan, with the aim of working towards a 'Race Equality Code' quality mark accreditation.

Health, safety and well-being

The Group takes a proactive approach to the health, safety, and well-being of its employees. We focus on providing a safe working environment that promotes a healthy work-life balance and demonstrates a positive attitude towards mental health and well-being. We strongly believe that by supporting our employees and helping to ensure they are in good health, enables everyone to perform better.

Each site has its own health and safety team who meet regularly to discuss any local actions or findings from risk assessments and health and safety walkarounds. Health and safety matters are a standing agenda item at each Group Board meeting where summary reports for each business, including up to date statistics relating to accidents and incidents that have occurred since the last report, are tabled and noted. In FY 22, there was one health and safety incident in the UK that was RIDDOR reportable due to the number of days the employee was absent from work.

During 2022:

Facilisgroup celebrated mental health month to raise awareness of the importance of positive mental health. All employees were given a year-long subscription to 'Calm', which is a meditation and mindfulness app. Facilisgroup also gave an additional four hours of paid leave to each employee to be used as "wellness time" that month, together with four more hours of "wellness time" to be used during the remainder of the year.

Brand Addition continued its wellness campaign which allows employees to choose from nine subsidised benefits aimed at promoting physical and mental health. The flexibility of this programme acknowledges that everyone's health and well-being needs are different, and gives employees' access to a wide range of different benefits to suit them, which they can be incorporate into their daily routines.

In 2023, we will continue to actively promote positive health and well-being through targeted campaigns such as mental health awareness month. We will also raise awareness of the wellness benefits offered to all employees to encourage increased participation in the schemes.

Community Support

Priority	Our aim	UN Sustainable Development Goals
Community Support	To engage locally and make a positive impact, supporting our communities.	3 GOOD HEALTH AND WELL-BEING; 10 REDUCED INEQUALITIES

Engagement and volunteering

Facilisgroup annual Partner summit and supplier showcase.
In June 2022, Facilisgroup hosted its Annual Partner Summit in Orlando, Florida, which is dedicated to industry education, innovation, collaboration, engagement and encouraging growth. It also gives an opportunity for interaction with Facilisgroup's Preferred Suppliers and is a means for them to showcase their businesses and new product lines.

The entire Group Board and certain Group senior managers attended the event in person and had the opportunity for direct face-to-face engagement and interaction with Facilisgroup's key stakeholders, to gain valuable first-hand insight and feedback.

Facilisgroup has also started to use the opportunity of these summits to raise awareness of the impacts of the promotional products industry on the environment and, at the summit, it facilitated an ESG panel discussion, in which Brand Addition participated.

When hosting an event, Facilisgroup commits to leaving that local area in a better place than it was prior to their arrival. Via FacilisCares, Facilisgroup supports a local charity initiative during the time spent in the area. In Orlando, the summit participants spent an afternoon volunteering their time to make 50 blankets for local non-profit organisations: Harbour House, Vitas Healthcare, Seniors First and the Osceola Council on Aging.

810hrs
Group volunteering hours during 2022

Orlando by numbers

120
DISTRIBUTOR PARTNERS IN ATTENDANCE

63
SUPPLIER PARTNERS IN ATTENDANCE

670
TOTAL NUMBER OF ATTENDEES

100
VOLUNTEERING HOURS

Mustard Tree

Brand Addition Manchester partnered with Mustard Tree, a local charity which aims to combat poverty and prevent homelessness by helping people secure better accommodation and improve their economic well-being. Each Friday a member of our team spent the day at Mustard Tree, supporting either their food club or community furniture shop.

Park Clean-up

Facilisgroup and Brand Addition collaborated in a special 'FacilisCares Day' where 40 volunteers from our U.S. and Canada offices dedicated 120 volunteering hours to clean up local parks; Water Tower Park in St. Louis and Shefford Sports Park in Ottawa.

In 2023 we will continue our efforts to support local community projects. Facilsgroup has committed to continue its partnership with 'Home Sweet Home' and 'United Way' and at this year's Annual Partner Summit the attendees will come together again, to support a local charity through the FacilisCares initiative.

Aligning our approach and following recognised standards

Ecovadis

Our Brand Addition business retained its Platinum EcoVadis status for a third year, positioning the business within the top 1% of similar companies in its approach to sustainability.

The assessment reviewed how the business addresses four key areas (Environment, Labour and Human Rights, Ethics and Sustainable Procurement), including any actions to minimise its overall impact on the environment.

EcoVadis provides an independent, trusted, common platform for evaluating and rating more than 65,000 groups and companies across 200 industries in 160 countries. It uses a CSR assessment criteria based on recognised sustainability standards.

Carbon Disclosure Project (CDP)

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

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

ISO management systems

Across the Group we have effective management systems in place that are annually audited by SGS to ensure continued certification against globally recognised standards.

Our Brand Addition business holds ISO9001 certification across its UK sites, ISO14001 certification at its Manchester site and ISO50001 certification across its UK and German sites.

Climate related risks and opportunities

Task Force on Climate-related Financial Disclosures ('TCFD')

During 2022 we fully implemented all of the recommendations made by the TCFD to ensure effective governance of any climate related risks and opportunities identified across the Group. The table below provides an overview of the actions we have taken in relation to each of the TCFD recommendations and where relevant information can be found in this report and our ESG report.

The results of our climate related risks and opportunities assessment did not identify any risks likely to have a material impact on the financial performance of our business over the short, mid, or long-term. Whilst we do see areas of exposure related to increased costs of raw materials and the transportation of goods because we do not directly manufacture products, we are somewhat shielded from significant impact. Where risks have been identified, actions are already in place to address the impact or minimise exposure. We recognise the importance of ensuring that we continue to develop and evolve our risk management framework, and we will ensure that the scenarios we use to quantify risk factors remain current and continue to evolve to represent the changing landscape. A detailed evaluation of the highest scoring climate-related risks and opportunities (and the information used to undertake our scenario analysis) can be found on page 91 of our 2022 ESG report.

Recommendation	Response	Disclosure location
Governance		
a) Describe the Board's oversight of climate-related risks and opportunities	The Board approves and oversees the Group ESG strategy along with ensuring that risk (including climate and environmental related risk) is effectively managed across the Group.	Page 60 in our Corporate Governance Section
	The Audit Committee provides oversight of climate related risks as part of its integrated business risk review.	
	ESG is a key part of the Board's annual strategy setting session and the Board receives a full ESG update at its half year strategy review, so that progress is assessed every six months.	
	ESG is a standing agenda item at each Group Executive Committee meeting.	
b) Describe management's role in assessing and managing climate-related risks and opportunities	The Senior ESG Officer is responsible for developing and executing the Group ESG strategy.	Page 60 in our Corporate Governance Section
	Meetings are held (every two months, as a minimum) with the Divisional Leads of Facilisgroup and Brand Addition who are responsible for ensuring that progress is being made against agreed objectives and targets.	
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term	Climate related risks and opportunities are periodically monitored as part of our ESG strategy, as included in our 'Impact of our business on the environment and our community' cornerstone.	Pages 51, 52 & 55 in our Risk Section Pages 91-95 in our ESG report 2022
	The Group identified a number of climate related risks from its assessment however none of which were seen to be significant and represented a material financial risk to the business.	
	Opportunities relate to providing clients with credible sustainable solutions to support their transition to a low carbon economy.	
	ESG is a standing agenda item at each Group Executive Committee meeting.	
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	To date there have not been any climate related risks or opportunities that have significantly impacted the business. Any future impacts experienced are likely to be low. Any impacts seen are most likely to occur under 'scenario A' (early and orderly policy action – smooth transition) over the long-term (6-10 years).	Pages 51, 52 & 55 in our Risk Section Pages 91-95 in our ESG report 2022

Recommendation	Response	Disclosure location
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Three scenarios were developed in line with data from publicly available data and reports*. * The Intergovernmental Panel on Climate Change (IPCC) SR15 report and the Bank of England, Key elements of the 2021 Biennial Exploratory Scenario: Financial risks from climate change. The climate related risks identified do not pose a significant risk to the business over the developed scenarios. For all identified risks, mitigating actions are in place to ensure the impact remains as low as possible.	Pages 51, 52 & 55 in our Risk Section Pages 91-95 in our ESG report 2022

Risk management

Recommendation	Response	Disclosure location
a) Describe the organisation's processes for identifying and assessing climate-related risks	Climate related risks are identified by a number of methods, these range using publicly available data to help develop an understanding of the climate related risks the business may face, internal brainstorming exercises and stakeholder discussion. Risks can also be raised through internal discussions, individual business risk registers, the Group risk register or the Group Executive Committee. Risks are scored and assessed following the Group risk management framework to ensure that priority is given to the highest risk.	Pages 51-52 in our Risk Section Pages 82-83 in our ESG report 2022
b) Describe the organisation's processes for managing climate-related risks	Emerging and identified risks are regularly monitored and scored to represent the risk posed to the business. All risks are assigned an owner who is responsible for the management and implementation of any actions. The Audit Committee formally reviews and approves the risk register twice yearly.	Pages 51-52 in our Risk Section Pages 82-83 in our ESG report 2022
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management framework	Our approach to climate-related risks is aligned and integrated into our Group-wide risk management framework, with oversight from the Audit Committee.	Pages 51-52 in our Risk Section Pages 82-83 in our ESG report 2022

Metrics and targets

Recommendation	Response	Disclosure location
a) Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process	Group Scope 1 and Scope 2 GHG emissions. The number of sites that have been converted to renewable electricity.	Pages 32-33 in our Climate Change section Page 26 in our ESG report 2022
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks	The GHG emissions table within the ESG section of this report discloses our Scope 1, Scope 2 and Scope 3 emissions, the number of Group sites converted to renewable electricity, and our progress compared to our base-year. We are still in the process of analysing our Scope 3 emissions and intend to update our metrics and targets once we have identified our hotspots and developed a plan to reduce the impact of the categories with the highest emissions.	Pages 32-33 in our Climate Change section
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	50% reduction in Scope 1 and Scope 2 emissions by 2030 (8% reduction achieved in 2022). 100% renewable electricity by the end 2025 (36% of sites using renewable energy at the end of 2022). As we gain a better understanding of our Scope 3 emissions, we will aim to set targets to monitor and reduce our emissions.	Pages 32-33 in our Climate Change section Page 26 in our ESG report 2022

Key Performance Indicators

Measuring our performance.

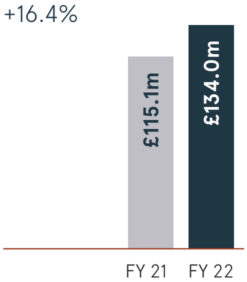
Our Values in action:
Ambitious positivity

Group

REVENUE

£134m

+16.4%



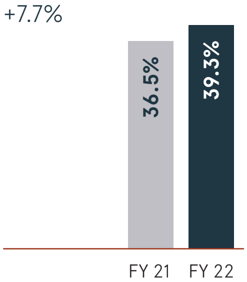
Why we measure it
Year-on-year growth in revenue indicates progress against both short-term plans and long-term strategy.

Comment
The increase in revenue in FY 22 reflects the growth in both Facilisgroup revenue and Brand Addition success in retaining existing clients and winning new contracts.

GROSS PROFIT

39.3%

+7.7%



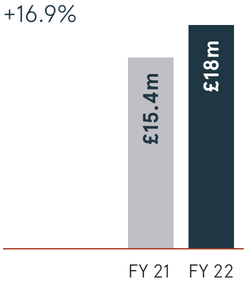
Why we measure it
Growth in gross profit percentage indicates an improvement in the quality of our earnings.

Comment
The increase in gross profit percentage reflects both the increased revenue weighting of Facilisgroup, our higher margin business and an improvement in Brand Addition gross margins, as the business returned to its long-term target of 30%, which was impacted in H1 21 by incremental Brexit related costs and freight pricing and capacity.

ADJUSTED EBITDA[1]

£18m

+16.9%



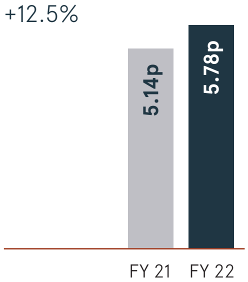
Why we measure it
Year-on-year growth in Adjusted EBITDA indicates progress against both short-term plans and long-term strategy. Management believes this adjusted measure is appropriate in understanding the underlying trading performance of the business.

Comment
The increase in Adjusted EBITDA in 2022 reflects the revenue growth across the Group.

BASIC ADJUSTED EARNINGS PER SHARE[2]

5.78p

+12.5%



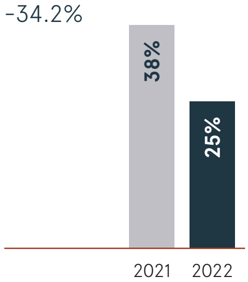
Why we measure it
This measure illustrates the profitability of the Group in relation to the number of shares in issue and is therefore an important metric in demonstrating the delivery of value for our shareholders.

Comment
Adjusted Basic earnings per share were 5.78p against 5.14p in 2021, reflecting the mix of profitability and increased amortisation from investment made into new products in Facilisgroup.

ADJUSTED OPERATING CASH FLOW CONVERSION

25%

-34.2%



Why we measure it
This metric measures the Group's profit to cash ratio. It is monitored to highlight the level of investment in capital expenditure and working capital to support the Group's medium-term growth plans.

Comment
The change in 2022 versus prior year is the incremental capital expenditure in Facilisgroup, combined with the investment in working capital in Brand Addition, in line with its growth.

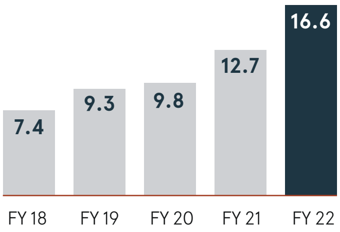
1 Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, amortisation, share based payments charge and exceptional items

2 Basic adjusted EPS is calculated as profit after tax before amortisation of acquired intangibles, share-based payments charge, and exceptional items divided by the weighted average number of shares in issue

Group companies
Facilisgroup

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

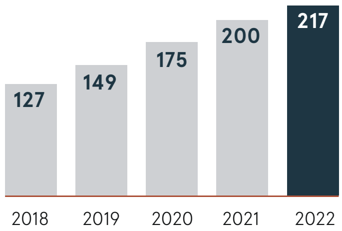
REVENUES £'m



Why we measure it
Tracking Facilisgroup revenues demonstrates the business' ability to grow and retain its income from its Partners and Preferred Suppliers.

Comment
Revenues increased by 31% GBP (17% in home currency of USD) in FY 22, driven by the increase in Partner numbers, GMV growth and spend through Preferred Suppliers. Recurring revenues comprise 93% of Facilisgroup revenues in FY 22.

PARTNER NUMBERS



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

Comment
Partners implemented increased to 217, plus eight awaiting implementation. Investment has been made in the sales team to continue to drive this metric forward.

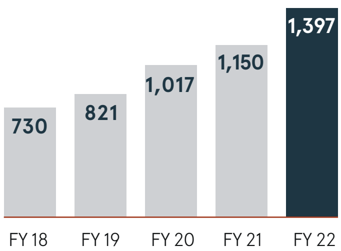
PARTNER RETENTION RATE
%

Why we measure it
Understanding attrition and the reasons for it is key to our Partner growth strategy. We focus on maximising retention of existing Partners, in addition to growing new.

Comment
Retention of 96% is considered, by management, as an excellent performance, and is key to the success of Facilisgroup.

Partner activity – High quality Partners and long-term relationships

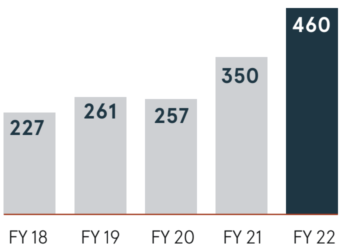
GROSS MERCHANDISE VALUE $'m



Why we measure it
Tracking the value of sales processed through our technology sets the pricing of our services to our Partners and allows the Group to monitor both the growth in like-for-like Partner sales, and our growth in total distributor sales versus the market.

Comment
The sales activity of our Partners resulted in $1,397m GMV, an increase of $247m on FY 21, driven by new Partners in addition to an increase in like-for-like Partner sales.

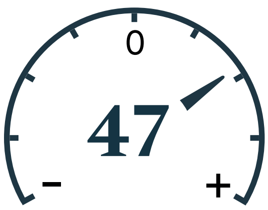
PREFERRED SUPPLIER PURCHASES $'m



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

Comment
Spend through Preferred Suppliers increased by $110m in FY 22 to $460m, reflecting growth in GMV in addition to a higher proportion of spend going through Preferred Suppliers.

NPS SCORE
#



Why we measure it
Tracking the NPS provides an indication of the value our Partners place on us and assists with maintaining strong retention.

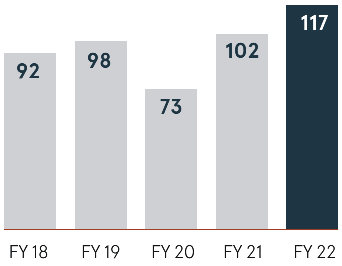
Comment
An NPS of 47 is regarded as a positive score by management. Feedback from Partners supports the business in setting its priorities with the aim of maintaining its high retention record.

Key performance indicators

Group companies
Brand Addition

Revenue analysis – Win, Grow, Retain, Repeat

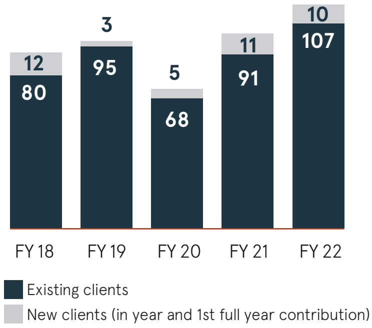
REVENUE £'m



Why we measure it
Tracking revenue trends is key to understanding how Brand Addition is performing against its strategic goals.

Comment
Revenue increased during 2022 driven by good client retention, combined with growth in new clients implemented in 2021 and 2022.

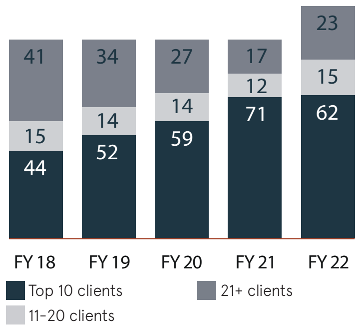
REVENUE BY EXISTING AND NEW CLIENTS £'m



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

Comment
Growth in revenue from existing clients represents continued recovery in existing clients combined with strong retention. New business, including significant new clients contracted in 2022 and a full year contribution of clients implemented in 2021, was also strong.

REVENUE BY CLIENT CONCENTRATION%

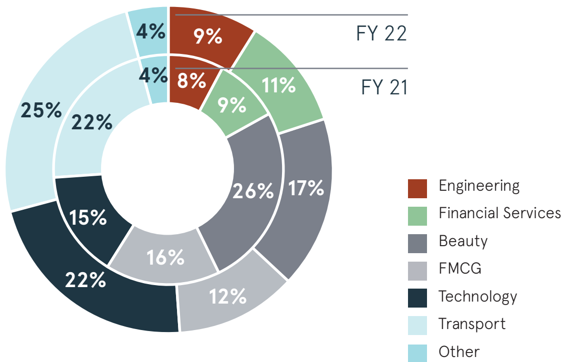


Why we measure it
Brand Addition tracks revenue by client concentration as continued success of these larger clients is central to delivering on our strategy of Win, Grow, Retain, Repeat. We also recognise the importance of not being over reliant on a small number of clients.

Comment
The top 10 clients contributed 62% of total revenue in 2022 (71% in 2021). Management believes this concentration is valuable, with no one client contributing more than 11% of revenue.

Revenue diversity – Strong sectors across multiple geographies

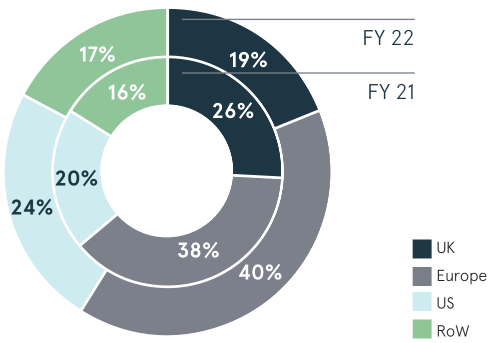
REVENUE BY CLIENT SECTOR %



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

Comment
The differences in the year reflects the change of mix of revenues between existing clients as well as the new clients won in 2021 and 2022.

REVENUE BY DESTINATION %



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

Comment
Sales into Europe and the US increased relative to 2021, driven by growth in new clients in these geographies.

Another year of growth.

Claire Thomson
Chief Financial Officer (CFO)

£'m	2022	2021
Revenue	**134.0**	115.1
Gross profit	**52.7**	42.0
Gross profit margin	**39.3%**	36.5%
Adjusted EBITDA	**18.0**	15.4
Depreciation and amortisation	**(6.5)**	(4.8)
Share-based payment charge	**(1.3)**	(0.7)
Operating profit	**10.2**	9.9
Net finance costs	**(0.5)**	(0.6)
Profit before tax	**9.7**	9.3
Tax	**(2.1)**	(2.0)
Profit for the year	**7.6**	7.3
Weighted average number of shares	**167,450,893**	167,450,893
Adjusted Basic EPS	**5.78p**	5.14p
Basic EPS	**4.55p**	4.39p

Overview

FY 22 was another year of growth for the Group with both of its businesses trading strongly as we continued to execute on our stated strategy. Group revenue of £134.0m (FY 21: £115.1m) was 16% ahead of FY 21 and Adjusted EBITDA of £18.0m (FY 21: £15.4m) was 17% ahead. Operating profit was £10.2m (FY 21: £9.9m). The Group Board is pleased to announce the implementation of its dividend policy and is proposing a final dividend of 0.6 pence per share for FY 22, payable in June 2023.

The Group's balance sheet remains strong and its liquidity position continues to be robust with cash balances of £6.8m at 20 March 2023 and no amounts drawn down on the Company's £10m committed revolving credit facility.

Revenue

Group revenue for FY 22 was £134.0m (FY 21: £115.1m), growth of 16%. Facilisgroup total revenue was £16.6m (FY 21: £12.7m). This represents an increase of 31% in GBP and 17% in Facilisgroup's home currency of USD. ARR from Partner subscriptions for our technology and supplier contributions made up £3.3m of this increase. The growth being a combination of incremental Partner numbers and additional contributions from suppliers as both the volume and proportion of spend with Preferred Suppliers increased. Revenue in Brand Addition was £117.4m (FY 21: £102.4m) an increase of £15.0m. £6.8m of this increase comes from the growth in existing customers as working patterns stabilised compared with the disrupted years of 2020 and 2021. A further £8.2m of revenue growth was delivered by new client contracts won in FY 21 and FY 22.

Gross profit

Gross profit as a percentage of revenue increased during the year by 2.8 p.p.t to 39.3%. Of the total increase, 2.2 p.p.t relates the improvement in gross margins at Brand Addition as the business returned to its long-term target of ~ 30% as it did not suffer the increased costs associated with Brexit, freight rate pricing and freight capacity challenges that impacted the first half of FY 21. 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.

Chief Financial Officer's review

Adjusted EBITDA
Adjusted EBITDA for FY 22 was £18.0m (FY 21: £15.4m). The increase of £2.6m in FY 22 is made up as follows:

- Facilisgroup; £1.4m increase as incremental revenues were delivered at excellent EBITDA returns of 54% demonstrating the business' ability to retain strong margins and scale revenue.
- Brand Addition; £1.5m increase being the incremental profit from sales and margin growth less increased costs of additional headcount to support growth.
- Central costs; £0.3m cost increase in the year, £0.1m from salary increases and growth in the team, the balance being incremental travel and advisors' fees.

Depreciation and amortisation
The total charge in the year was £6.5m (FY 21: £4.8m), of which £4.2m (FY 21: £2.8m) 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 £1.3m (FY 21: £0.7m). This charge related to the 2020, 2021 and 2022 awards made under the 2019 Long Term Incentive Plan and Save As You Earn "SAYE" scheme. The increase over FY 21 arises as we have three awards and the 2021 SAYE in issue for the first time. The charge for the year is now in line with the expected ongoing run rate.

Operating profit
Operating profit for the year was £10.2m (FY 21: £9.9m) after charging incremental depreciation and amortisation of £1.7m. On prior year, the Group did not benefit from any material income in FY 22 for this investment. There is also an additional charge under IFRS 2 "share based payments", as noted above.

Finance costs
Net costs of £0.5m in the year (FY 21: £0.6m) include interest on the utilisation of the Group's committed RCF facility during the year of £0.1m (FY 21: £0.2m) and interest costs on leases capitalised in accordance with IFRS 16 of £0.4m (FY 21: £0.4m).

Taxation
The total taxation charge was £2.1m (FY 21: £2.0m) giving rise to an effective rate of tax of 21.6% (FY 21: 21.5%). The effective rate of tax was higher than the UK standard rate of taxation as the proportion of profit earned by the Group in overseas jurisdictions where corporation tax rates are higher than those in the UK increased during the year. The Group is subject to taxes in the UK, Ireland, Germany, Turkey, USA, Canada, China and Hong Kong.

Earnings per share
The earnings per share analysis in note 10 covers both adjusted earnings per share (profit after tax before amortisation of acquired intangibles, share-based payments charge and exceptional items divided by the weighted average number of shares in issue during the year), and statutory earnings per share (profit attributable to equity holders divided by the weighted average number of shares in issue during the year). Adjusted earnings (profit after tax before amortisation of acquired intangibles, share-based payments charge and exceptional items) was £9.7m (FY 21: £8.6m) an increase in adjusted basic earnings per share of 0.64 pence per share. Basic earnings per share (profit attributable to equity holders divided by the weighted average number of shares in issue during the year) was 4.55 pence per share (FY 21: 4.39 pence per share) an increase of 0.16 pence per share.

Dividends
The Group Board has considered its position on dividend payments and concluded that the Group has reached an appropriate point to begin to implement a progressive dividend policy. In doing so, it is planned that the Group will move, in the medium-term, towards its stated position at IPO of making dividend payments of c.30% of profit after tax. As such, the Group Board is proposing the payment of a final dividend of 0.6 pence per share for FY 22, a distribution totalling £1.0m. This will be paid on 2 June 2023, subject to shareholder approval, to those Shareholders on the register of members on 28 April 2023. The shares will trade ex-dividend on 27 April 2023.

Cash flow

The Group had a cash balance of £15.1m at 31 December 2022 (FY 21: £12.1m).

Cash flow for the year is set out below.

£'m	2022	2021
Adjusted EBITDA	**18.0**	15.4
Movement in working capital	**(3.4)**	(2.8)
Capital expenditure	**(8.4)**	(5.3)
Leases	**(1.7)**	(1.4)
Adjusted operating cash flow	**4.5**	5.9
Tax paid	**(1.7)**	(0.5)
Net finance cash flows	**(0.5)**	(0.6)
Exchange gain	**0.7**	0.2
Net cash flow	**3.0**	5.0

Adjusted operating cash flow

Adjusted operating cash flow before tax payments and net finance costs reduced by £1.4m in the year to £4.5m. The reduction is after £2.8m incremental capital expenditure in the Facilisgroup technology stack as we invest in our technology to deliver our strategic objectives for this business. In addition, there is some investment in working capital to support continued sales growth at Brand Addition. This remains an important metric for the Group and is monitored consistently 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 £11.3m, the balance sheet is summarised below:

£'m	2022	2021
Non-current assets	**69.8**	63.9
Working capital	**13.7**	9.5
Cash	**15.1**	12.1
Lease liabilities	**(9.1)**	(7.8)
Other net liabilities	**(3.9)**	(3.1)
Net assets	**85.6**	74.6

Non-current assets

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

£'m	2022	2021
Goodwill	**36.1**	35.8
Customer relationships	**9.0**	8.6
Software development costs	**14.9**	11.3
Property, Plant & Equipment	**9.5**	7.9
Deferred Tax assets	**0.3**	0.3
Non-current assets	**69.8**	63.9

Amounts classified as goodwill and customer relationships relate to historic acquisitions made by the Group. Software development costs, which include £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 technology stack to ensure that existing technology remains market leading and differentiated from our competitors alongside the development of new products that will deliver our medium-term growth plans. The costs are capitalised in accordance with IAS 38 and amortised over the period which the Group expects to generate benefit from the development. As the Group continues to accelerate investment into its digital commerce platform for Facilisgroup, we expect this level of investment to continue in the short term. 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 £13.7m is £4.2m higher than FY 21. The majority of the increase is due to Brand Addition and specifically inventory where there has been investment to support new business implemented during the year and inventory held at year end for customer specific promotions delivering in Q1 FY 23.

Lease liabilities

Lease liabilities of £9.1m (2021: £7.8m) relate to Group properties capitalised in accordance with IFRS 16. The increase in the year arose as the Group consolidated its European warehousing at a larger facility in Germany.

Chief Financial Officer's review

Other net liabilities

Other net liabilities of £3.9m (FY 21: £3.1m) are net tax liabilities of which £2.9m (FY 21: £3.0m) is deferred tax in respect of the intangible assets of Facilisgroup. £1.7m (FY 21: £1.6m) relates to acquired customer relationships. The balance and increase in the year arising as a result of investments into technology products. These liabilities will reverse over the period that the assets are amortised.

Alternative Performance Measures "APM's"

Throughout the Annual Report and related statements the Group has used a number of APM's 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 APM's are not defined under IFRS and, therefore, may not be directly comparable with adjusted measures presented by other companies. The non-GAAP measures are not intended to be a substitute for, or superior to any IFRS measures of performance. However, they are considered by management to be important measures used in the business for assessing performance. They have been consistently applied in all years presented.

The following are key non-GAAP measures identified by the Group and used in the Strategic Review and Financial Statements. Where these are not reconciled to GAAP measures elsewhere in the Annual Report, a reconciliation is provided below.

Adjusted EBITDA which means operating profit before depreciation, amortisation, share-based payments charge and exceptional items. The reconciliation is disclosed in the consolidated income statement.

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

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

Adjusted Earnings which means profit after tax before amortisation of acquired intangible assets, share-based payments charge and exceptional items. Refer to note 10 for reconciliation.

Adjusted earnings per share which means Adjusted Earnings divided by a weighted average number of shares in issue. Refer to note 10 for reconciliation.

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

	2022 £'000	2021 £'000
Operating profit	**10,223**	9,866
Add back:		
Amortisation charge on acquired intangible assets	**1,420**	894
Share-based payment charge	**1,253**	715
Adjusted operating profit	**12,896**	11,475

	2022 £'000	2021 £'000
Profit before tax	**9,703**	9,317
Add back:		
Amortisation charge on acquired intangible assets	**1,420**	894
Share-based payment charge	**1,253**	715
Adjusted profit before tax	**12,376**	10,926

Claire Thomson
Chief Financial Officer
21 March 2023

Sound risk management.

Our Values in action:
Enjoying the journey

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

Risk management and internal control framework

The Audit Committee

The Group Board delegates responsibility to the Audit Committee to review and approve the Group's risk profile and risk register twice per year.

The Audit Committee considers the nature and extent of principal risks to the Group's achievement of its strategic objectives any related opportunities and ensures that all have been identified with appropriate mitigating actions and controls in place. In 2022 this was formally extended to cover oversight of climate related risks and opportunities to align the Group's risk management processes with TCFD requirements (see more below).

The Audit Committee also reviews internal controls and considers reports from the Group's management on the effectiveness and integrity of the Group's internal control and risk management systems. The Committee is updated by the Group CFO and the Group Financial Controller on progress against the Group's internal audit and risk plan and, on an annual basis, it considers whether there is a need for a separate internal audit function.

When satisfied, the Audit Committee approves the Group's risk register and internal controls and recommends these to the Group Board for approval.

Group Executive Committee and Operating Boards

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

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

The Operating Boards of Facilisgroup and Brand Addition meet monthly and maintain their own risk registers, which are reviewed and reconciled against the Group's risk register twice per year in advance of review by the Audit Committee, as described above. In 2022, each were also expanded to encapsulate climate related risks and opportunities. Each Operating Board meeting has 'Risk Management' as a standing agenda item, whereby the lead for each key function addresses the significant risks relevant to their area, including potential horizon risks and those identified below.

Through this risk management framework, the Group Board drives effective risk management practices and processes that, in turn, drive effective decision-making throughout the Group.

Risk Management Framework

Risk Management

Evolution of the risk management framework and TCFD

Across the Group we continue to review and evolve our risk management framework to ensure it reflects best practice. In support of the work performed internally, in 2022 we obtained external advice to validate the Group's risk register approach and have taken steps to implement the recommendations made.

During 2022, each of Brand Addition and Facilisgroup implemented annual testing of the risk controls noted in their respective risk registers to ensure their accurate implementation and effectiveness.

To align with TCFD requirements, during 2022, the Group reviewed and evaluated the physical and transitional climate related risks and opportunities faced over the short, medium and long-term, considering different climate related scenarios. This review was integrated into the Group's overall risk management framework by: (i) the extension in scope of the Group's risk registers to encapsulate these risks and opportunities and the bi-annual review thereof; (ii) reflection in the Group's new Environmental and Climate Change Policy; and (iii) by amendment of the Audit Committee's terms of reference to reflect that ESG and climate related risks and opportunities must form part of overall Group risk profile review.

Further information can be found on pages 42-43 in the ESG section of this report and also in our 2022 ESG report which can be found on the Company's website.

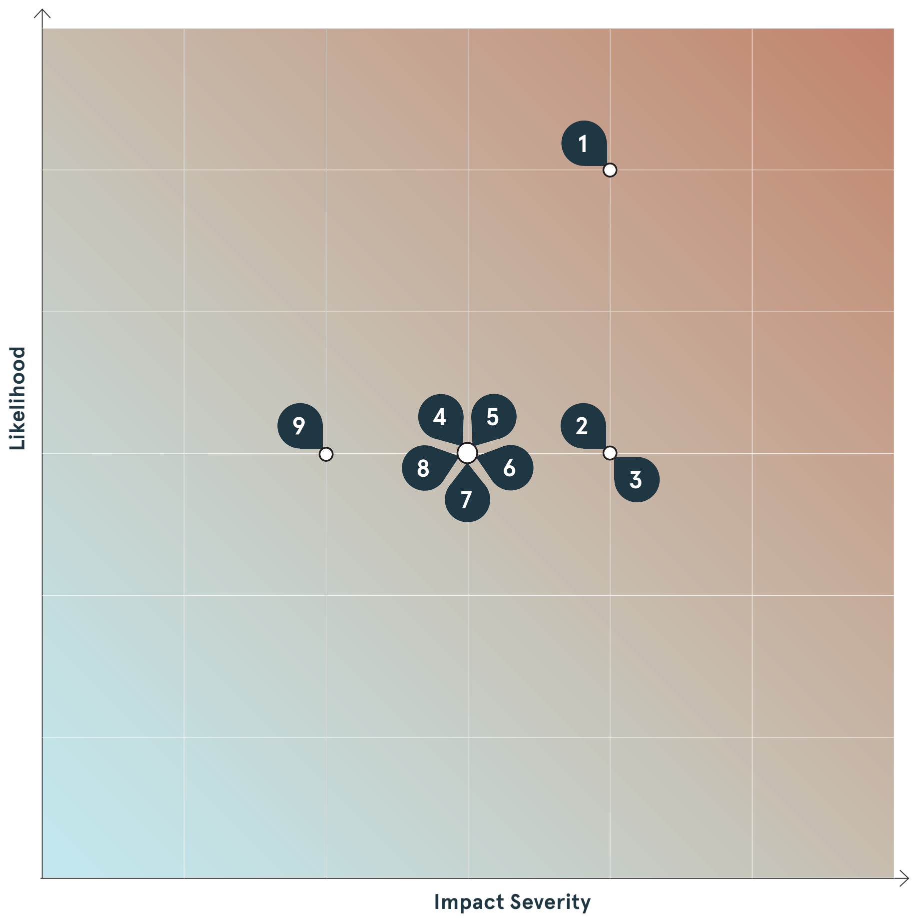
Risk Ownership

To ensure effective and accountable management of individual risks, each risk identified on the Group's risk register is assigned to a named risk owner at Director level. The risk owner has the ultimate responsibility for the ongoing monitoring, review and mitigation of individual risks. Either the CEO or the CFO is assigned as the risk owner for each risk on the Group's risk register.

Key risks

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

The following heatmap illustrates the Group's rating of key risks, relative to one another:



1. Breach of IT security or cyber-attack
2. Reliance on IT systems
3. Pandemic related disruption
4. Concentrated client base
5. Interruption to warehouse operations
6. Macroeconomic environment
7. Attracting and retaining key personnel
8. Technological change
9. Climate change

Summary of key risks

Risk and potential impacts	Mitigating activities

1. Breach of IT security or cyber-attack

Breach of IT security or cyber-attack

The incidence and sophistication of cyber security threats and breaches continues to increase, affecting businesses across the globe.

IT Security breaches, computer malware and other cyber-attacks could result in loss or compromise of data, and significant disruption to operations. In turn, this could lead to a loss of business for the Group, affecting the Group's ability to achieve its financial targets.

Furthermore, such incidents could give rise to a potential liability through litigation and may damage the Group's reputation with clients, resulting in a loss of goodwill.

All Group employees are provided with IT security training.

The Group employs personnel dedicated to IT security within its businesses. It monitors cybersecurity trends and continuously identifies and implements new processes, systems and technologies – including Artificial Intelligence technologies – to mitigate the likelihood of a successful breach of its IT security.

Disaster recovery plans and crisis management procedures are in place to enable any IT security incidents to be handled efficiently and appropriately, to ensure the business is able to recover with limited interruption.

Change to risk
No change

2. Reliance on IT systems

The Group's IT platforms and infrastructure are critical to its effective operation.

A prolonged unavailability or disruption of IT systems could therefore impact the Group's ability to deliver its goods and services, thereby affecting its reputation and its ability to meet its financial targets.

The Group has an experienced and skilled IT team, who are supported by external consultants, where necessary. The IT teams constantly monitor the availability and performance of core IT systems.

Robust disaster recovery and business continuity procedures are monitored and updated regularly by both the IT and operations teams.

Change to risk
No change

3. Pandemic related disruption

The impact of the COVID-19 pandemic on the Brand Addition business was managed well and reduced in 2021 and, further again, in 2022.

Nevertheless, in the longer term, the Group must be prepared for the potential impact of new pandemic outbreaks. Such outbreaks pose a risk to demand for the Group's products and services, which could affect the Group's financial targets.

The Group has a proven ability to react swiftly in response to a pandemic and manage its flexible cost base to remain profitable and cash generative. The experience and know-how gained in dealing with such period of disruption has put the business in a stronger position to handle any future pandemics.

The Group's differentiated positions in the industry and established client and Partner relationships position it well to endure a period of pandemic related disruption and return to growth quickly.

The Group has a strong balance sheet, effective working capital disciplines, is cash generative and has access to a £10m revolving credit facility.

Change to risk
No change

4. Concentrated client base

Brand Addition's core strategy is to win, grow, and retain multi-country outsourced contracts, as further detailed on pages 10-11 of this report.

However, Brand Addition has a relatively small number of key clients and in FY 22 generated 54% of Group revenue from the top 10 clients.

A loss, or significant reduction, in activity from major clients could affect the Group's financial targets.

Facilisgroup's diversified customer base and 44% share of FY 22 Group Adjusted EBITDA, means that the impact of the loss of a key Brand Addition client on Group Adjusted EBITDA would be much reduced.

In addition, delivery of Brand Addition's strategic objective of continued growth through new client acquisition would dilute the impact of the loss of a client on the overall Group Adjusted EBITDA.

Change to risk
No change

Risk Management

Risk and potential impacts	Mitigating activities

5. Interruption to warehouse operations

The Group's warehouses receive, store and dispatch large volumes of products internationally.

Any significant interruption in the Group's warehouse operations (for example, due to fire or other catastrophic events, workforce disputes or shipping disruptions) could reduce the Group's ability to receive and process orders and provide products to its clients. This could result in loss or cancellation of sales and a loss of customer loyalty which could affect the Group's financial targets.

The Group maintains business interruption and property insurance.

Its warehouse locations span several geographic regions, reducing the likelihood of multiple warehouses being affected by the same event simultaneously. The business is also able to divert supply across its infrastructure should an incident arise in a single location.

The Group has business continuity and disaster recovery plans in place for each of its warehouses, which are tested regularly.

Warehousing operations handle approximately 36% of Group revenues, which diversifies the risk should there be an interruption to their operation.

Facilisgroup does not have, and its revenues are not reliant on, warehouse operations.

Change to risk
No change

6. Macroeconomic environment

There remains a degree of macroeconomic uncertainty. This uncertainty is due to a number of factors, including the ongoing conflict in Ukraine and the recent rises in interest rates, raw material prices and energy costs.

Whilst the risk of global economic downturn remains relatively high, the Group believes that the risk it faces is now more sector specific than the general sentiment faced in FY 21. As such, due the Group's diversity of both geography and sector, it has reduced its assessment of overall risk compared with FY 21.

An economic downturn could impact demand for the Group's products and services and Brand Addition's gross margins, thereby affecting the Group's ability to meet its financial targets.

The Group has previously proven its ability to maintain profitability and cash generation despite reduced demand and periods of global supply chain disruption.

In the event of an economic downturn, Facilisgroup's subscription-based technology platform insulates that business from any initial shock, and revenues in the year of impact would be largely unaffected.

The diversification of Brand Addition revenues across geographies and sectors provides some protection against the impact of a reduction in demand and the flexibility of the operating model below gross margin gives the business the ability to protect profits.

Both businesses are cash generative, with the underlying client base in Brand Addition resulting in a high-quality balance sheet.

Change to risk
Decreased

7. Retaining and attracting key personnel

Attraction and retention of experienced and skilled personnel is critical to achieving the organic growth plans set out on page 17 of this report.

Whilst inflationary pressures on wages remained in FY 22, the Group experienced improved availability of skilled labour compared with FY 21.

A failure to attract and retain high quality personnel could impact on the Group's ability to service our clients and grow our businesses. This could also adversely impact on the workloads and morale of existing staff that remain, leading to increased resource turnover and reduced productivity and engagement.

We value our people highly.

We continually develop and invest in our highly talented and dedicated people in order to maintain an engaged workforce, as explained further in the Stakeholder Engagement section of this report on pages 18-25.

We offer competitive compensation packages that are reviewed regularly and we routinely survey our employees to monitor employee engagement levels and identify opportunities for further improvement.

Attrition rates across sites and geographies are monitored monthly to enable mitigating actions to be taken quickly if necessary.

Change to risk
Decreased

Risk and potential impacts	Mitigating activities

8. Technological change

As technology changes quickly, there is a risk that the Group's current competitors and/or new entrants to the promotional products market may introduce new technologies, products or services, which challenge the functionality or capability of the Group's offerings.

If the Group is unable to promptly respond to technological changes, or encounters material delay in introducing new products or services, it may be at a significant disadvantage to its key competitors.

This could damage the Group's reputation with clients and Partners, resulting in a loss of goodwill, and affect the Group's ability to meet its financial targets.

The Group strives to continually enhance its existing products and services.

The Group maintains strong business relationships with its clients and Partners, obtaining feedback and continually enhancing its offerings to meet customer needs and respond to technological changes.

The Group monitors the market for potential acquisition targets whilst continuing to invest in its technology and IT capabilities.

Change to risk
Increased

9. Climate change

Climate change presents a number of risks to the business, which are further analysed in our annual ESG report (available on the Company's website).

Risks of extreme weather events (such as floods, droughts and storms) could directly affect the Group's infrastructure, operations and supply chain.

The transition to a low-carbon economy and increased compliance and tax regimes could result in increased costs for the Group. In particular, the Group's supply chain and suppliers may be exposed to increased operational costs, product costs and/or distribution costs arising from mitigation efforts, increased regulatory compliance and carbon taxes.

Customer preferences and concerns will increase demand for wider ranges of low-carbon, sustainable products, services and delivery options that may be difficult to identify and source. A failure to proactively rise to this challenge could negatively impact customer demand, retention and the Group's ability to meet its financial targets.

Although none of the identified risks have been assessed as likely to have a direct material financial impact on our business, the Group accepts its duty to meaningfully address the challenges of tackling climate change and to minimise our impact on the environment.

Our actions and commitments are set out in the ESG section of this report on pages 31-43 and also in our annual ESG report, which is on the Company's website.

The risk of supply chain disruption is minimised through the Group's diverse supply chain, which allows it to adapt quickly. The Group also maintains alternative supplier relationships for each key product category.

Any heightened risk of disruption in Brand Addition's direct supply chain due to natural disasters and/or political or social unrest, would be identified through its supplier evaluation process. In such an instance, Brand Addition would select an alternative supplier (with reduced risk exposure).

Change to risk
No change

The Strategic Report (which includes an introduction to the Promotional Products industry, the Group's strategy and vision, our investment case, the business models of each of our businesses, the Chair's report, the CEO's review, our strategy in action, our Employee and Other Stakeholder Engagement, the Section 172(1) Statement, ESG overview, key performance indicators, the Group's financial review and risk management) was approved by the Group Board and signed on its behalf by:

Christopher Lee
CEO
21 March 2023

Chair's Introduction to Governance

Maintaining credibility and accountability.

Richard Law
Chair and Independent Non-executive Director

Governance Highlights
- Winner of AIM Corporate Governance Award 2022
- TCFD recommendations integrated into ESG strategy
- Group Board attendance at the Facilisgroup Partner Summit and Supplier Showcase 2022
- Adoption of Group Framework on Conduct, Ethics and Compliance
- New Group Policies implemented
- Refresh and update of Share Dealing processes
- Whistleblowing portal update and enhancement

Our Values in action:
Always learning and growing

The Group Board places a high priority on effective corporate governance. We see principles of good governance not just as a set of guidelines, but as a way of establishing our credibility and accountability. This makes us a better business with strong internal controls that deliver medium to long-term value, whilst meeting stakeholder expectations around leadership and oversight. As Chair of the Group Board, I am responsible for corporate governance within the Group, and I work with our Board and Group General Counsel and Company Secretary to build upon and enhance our sound corporate governance grounding.

Our Group values reflect our corporate governance strategy by highlighting our culture of integrity, transparency and fairness. Focus in our values on learning and growing applies to our governance approach with our ongoing commitment to review the continued effective operation of the Group Board and its Committees and their oversight; and, updating our governance framework in response to: (i) changes in our businesses as we grow; (ii) changes in official standards; (iii) developments in best practice guidance; and (iv) our stakeholders' expectations. You can find more about our values on page 1.

We are focused on ensuring that the governance we introduce is not only aligned with best practice but reflects feedback from our stakeholders and is designed in a meaningful way to fit with our culture and way of working.

We strategically engage with experts where doing so will enhance our governance approach, for example, through our ongoing appointment of remuneration advisors in relation to Executive remuneration, and the consultancy support sought on DEI policy and approach.

During 2022 time was dedicated to:
- integration of TCFD requirements into our ESG strategy and risk management framework;
- further adoption of new Group policies including our Framework on Conduct, Ethics and Compliance seen as an important tool to cascade the Board's culture and expected standards and to empower employees;
- reviewing the quality of contribution, debate and decision-making at Board and Committee meetings;

Our Values in action:
Enjoying the journey

- reviewing and developing specific governance initiatives, for example on share dealing and Market Abuse Regulation (MAR) compliance, access to our whistleblowing portal and further development of succession planning;
- reviewing Board structure, size and composition;
- developing testing of risk management controls; and
- updating Board and Committee terms of reference.

The Pebble Group team was delighted to receive the AIM Corporate Governance Award 2022 which recognised the efforts made by businesses who go beyond minimum requirements and demonstrate effective corporate governance, ensuring engagement with all stakeholders, the maintenance of key governance topics and effective integration of ESG responsibilities.

We are proud of the work we have done and continue to do to enhance our corporate governance to support our business strategy and medium to long-term goals in a meaningful way. Our commitment to continuing to evolve in these matters brings excitement for our future.

Lucy Penfold (Group General Counsel & Company Secretary - third from right) and Kirsten Motyl (Senior ESG Officer - fourth from right) collecting the AIM Corporate Governance Award 2022 on behalf of the Group

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

In 2022, the Group Board attended the Facilisgroup Partner Summit and Supplier Showcase in person in the US, where the Directors spent time over four days with the team, its Partners and Preferred Suppliers. This was an opportunity for the Group Board to develop a deeper knowledge and understanding of the Group's businesses and the industry in which they operate.

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

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

This section of the Annual Report outlines how we have applied the principles of the QCA code during the year and we take this opportunity to share with you the initiatives and activities that took place during 2022 to ensure a strong and open dialogue with our shareholders, particularly around how the Company is performing, to ensure that the Group Board remains a well-functioning and balanced team with the right skillset, and to enhance our governance structures to ensure that they remain fit for purpose and support good decision-making.

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

Richard Law
Chair
21 March 2023

Our Governance Structure

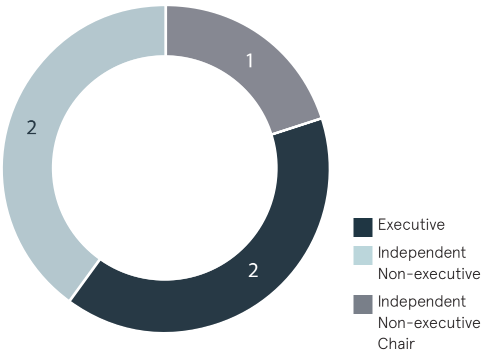
The Group Board

Structure and composition

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

The Group Board comprises of five Directors:

GROUP BOARD COMPOSITION



2 x Executive Directors	3 x Independent Non-executive Directors
Christopher Lee (Group CEO)	Richard Law (Chair)
Claire Thomson (Group CFO)	Yvonne Monaghan (Senior Independent Director)
	Stuart Warriner

The Group Board believes that this combination ensures a clear balance of responsibilities between the executive and the non-executive functions, that no individual (or small group of individuals) can dominate the Group Board's decision-making and that independent challenge is offered in the process of decision-making.

Board decisions are also supported by independent third party advice and challenge, where relevant. For example, by the involvement of our NOMAD, broker and Executive remuneration consultants.

The Group Board has a good gender balance as it comprises of three male and two female Directors. In addition, its extensive range of skills and experience supports delivery of the Group's strategy for the benefit of shareholders over the medium to long-term. Further details can be found in the biographies on pages 74-75.

Both the Chair and Senior Independent Director are available to speak with shareholders to discuss governance or any other topic related to the Group that is important to them. You can send a meeting request to: investors@thepebblegroup.com to arrange this.

Engagement with the business and teams

The entire Group Board attended the Facilisgroup Partner Summit and Supplier Showcase in the US in June 2022 where all of the Directors spent time with the Facilisgroup Operating Board and broader team, its key Partners and its Preferred Suppliers. Our Directors also had the opportunity to participate in workshops led by employees, with Partners on subjects such as client experience, supplier partnerships, culture, marketing and emerging trends, and also attended presentations on technology and ESG.

Our Executive Directors' have regular engagement with the business and contact/dialogue with the teams and other key stakeholders. During the year, this included:

- CEO meeting key clients as part of relationship management on site at Brand Addition
- CEO participation in Brand Addition key client pitch and client pricing meetings
- CEO attendance at Brand Addition hosted key supplier event
- CEO involvement in analysis of Facilisgroup Partner survey results
- CEO attendance at Facilisgroup Partner meetings to receive first hand Commercio feedback
- CFO approval of all key legal agreements within Brand Addition
- Executive Directors involvement in Facilisgroup Partner pricing strategy setting

In addition, the Chair spent time with Brand Addition and Facilisgroup teams in both the UK and US to ensure direct engagement on key areas.

Board Agenda

Throughout the year, the Board covered a broad range of topics to ensure that it reviewed and challenged matters of importance to our stakeholders. In setting the annual agenda, the Board considered the required number of Board meetings and the appropriate balance between strategy setting, financial and operational execution and governance. The following was felt to create an appropriate balance:

Standing agenda items at each meeting:

- Minutes/matters arising/minutes for noting
- CEO business trading and operational update
- CEO corporate activities update, including on investor relations activity
- CFO financial performance update
- Health, safety and well-being report

Additional matters covered during the year:

- Preliminary Announcement, Annual Report and Interim Report and related work, for example going concern
- ESG report approval
- Annual Strategy setting meeting (to include ESG strategy)
- Half-year strategy review (to include ESG)
- Modern Slavery Statement approval
- Biannual risk register and related work, for example on internal controls
- AGM matters for example reappointment of auditors and Directors for re-election
- Annual review of risk and control processes around crisis management and IT/cyber security
- Board effectiveness review
- Succession planning
- Budget approval
- Group policies approval
- Group insurance approval
- Matters reserved and Committee terms of reference approval

In 2023, a new Group Board standing agenda item has been added on, unlocking and delivering shareholder value.

Attendance

Our Group General Counsel and Company Secretary attends all meetings from a governance perspective and our Group Financial Controller also attends from a finance perspective, along with our Senior ESG Officer attending biannually to present on ESG strategy and provide updates to the Board.

To facilitate contact between the Board and the business, members of each business, including each Divisional Lead, attended meetings and/or presented to the Board during the year on key topics of interest.

Our nominated advisor (NOMAD) presents to the Board annually to provide a training update on directors' duties, AIM Rules and Market Abuse Regulation.

Our broker attended and presented an overview of market sentiment and activity and to provide feedback to the Board on Company analysis.

Operating Boards and Group Executive Committee

Structure and composition

Each Group business has an established Operating Board which meets monthly with its own standing agenda that includes business updates from the heads of all key functions and risk monitoring. Each Operating Board is led by a Divisional Lead, being Ashley McCune (President, Facilisgroup) and Karl Whiteside (Group MD, Brand Addition). For further details please see their biographies on page 76.

Each Divisional Lead together with other key members of their Operating Boards formally report to the Group CEO on trading and performance during Executive Monthly Meetings, and also through the Divisional Lead's membership of the Group Executive Committee.

In 2022, the Group Executive Committee was made up of the Executive Directors of the Company, the Divisional Lead for each of Facilisgroup and Brand Addition, the Group Financial Controller, the Group Senior ESG Officer and the Group General Counsel and Company Secretary. In 2023, a new Group Head of Tax joined the Committee. It meets frequently, has its own terms of reference in place and a standing agenda to include:

- Minutes/matters arising
- Business updates
- Planned reporting dates and key messages
- Key financials and other deliverables
- Risk management and compliance

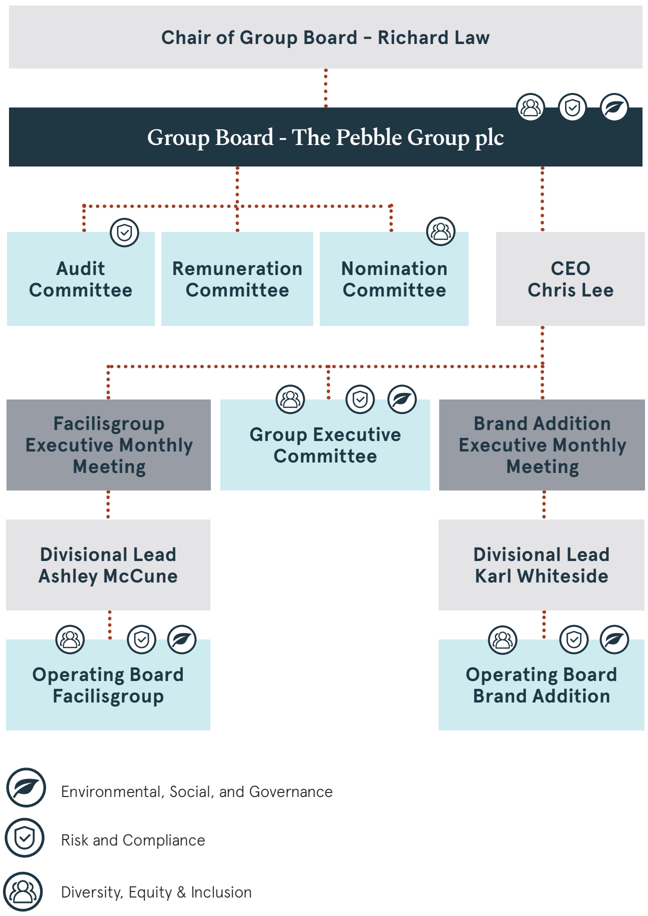
Our Governance Structure

- ESG updates, which in 2022 covered topics such as climate risk assessment, Global Reporting Initiative (GRI) alignment, Gaia ESG Scoring, succession planning, share dealing procedures, and whistleblowing.

In 2023, feedback from last Group Board/Committee meeting(s) has been added as a new Group Executive Committee standing agenda item.

The Committee facilitates the flow of information throughout the Group to ensure the alignment of culture, business ethics and standards and consistent good governance across divisions to deliver value for shareholders as a whole over the medium to long-term.

Our Governance Structure



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

ESG governance

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

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

Each Operating Board, led by their Divisional Leads, is responsible for the implementation of the ESG strategy. Each business has flexibility to develop its own ESG focus, policies and initiatives, defining their own objectives.

The Senior ESG Officer holds meetings with each business every two months as a minimum to discuss progress against agreed non-financial objectives related to energy usage, carbon emissions and roll-out, training and adherence to polices.

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

Group Board Committees

The Audit Committee

The Audit Committee, chaired by Yvonne Monaghan, has primary responsibility for monitoring the integrity of the financial statements of the Group and the scope, adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems. This is to ensure that the financial performance and prospects of the Group are properly measured and reported on. The Audit Committee receives reports from the Group's management and external auditors, PricewaterhouseCoopers LLP (PwC), relating to the annual accounts and the accounting and internal control environment in operation throughout the Group. The Audit Committee determines and reviews the Group's risk profile, including the nature and extent of significant risks that the Group is willing to take in achieving its strategic objectives. Additional information on risk profile can be found on pages 51-55. The Audit Committee also provides channels of communication between the external auditors and the Non-executive Directors. It reviews the performance of the external auditors and makes recommendations to the Group Board in relation to their reappointment. The Audit Committee reports to the Group Board on all these matters and typically meets three times in each financial year. Richard Law and Stuart Warriner are the other members of the Audit Committee. Further information can be found in the Audit Committee Report on pages 77-80.

The Remuneration Committee

The Remuneration Committee, chaired by Stuart Warriner, has primary responsibility to determine the total individual remuneration packages of the Executive Directors to ensure that they are, in a fair and responsible manner, rewarded for their individual contributions to the Group's overall performance. The Remuneration Committee also monitors and makes recommendations to the Group Board on the level and structure of senior executive's remuneration. The Remuneration Committee will retain, as necessary, external remuneration consultants in support of its responsibilities. The Remuneration Committee reports to the Group Board on all these matters and will meet as and when necessary, but typically four times in each financial year. In exercising this role, the members of the Remuneration Committee have regard to QCA Code recommendations and, where appropriate, the QCA Remuneration Committee Guide. The remuneration of Non-executive Directors is a matter for the Chair and the Executive Directors and no director shall be involved in any decisions as to his or her own remuneration. Richard Law and Yvonne Monaghan are the other members of the Remuneration Committee. Further information can be found in the Remuneration Committee Report on pages 81-89.

The Nomination Committee

The Nomination Committee chaired by Richard Law has responsibility to identify and nominate for the approval of the Board, candidates to fill Board vacancies as and when they arise. In respect of new appointments, the Committee will undertake an evaluation of the balance of skills, experience, independence and knowledge on the existing Board and, in light of this evaluation prepare a detailed description of the role, candidate profile and capabilities required for the particular appointment. There were no Board vacancies in 2022. The Committee also reviews the structure, size, diversity and composition of the Board and makes recommendations concerning the annual reappointment of Directors and identification and nomination of new Directors. The Committee will retain, as necessary, external selection consultants in support of this responsibility. The Nomination Committee reports to the Group Board on all these matters and typically meets three times in each financial year. Yvonne Monaghan and Stuart Warriner are the other members of the Nomination Committee. Further information can be found in the Nomination Committee Report on pages 62-64.

Nomination Committee Report

Ensuring a high performing Group Board.

Richard Law
Nomination Committee Chair
Independent Non-executive Director

Dear Shareholder,

I am pleased to present our first standalone Nomination Committee Report for the year ended 31 December 2022.

Composition and experience of the Nomination Committee

I am Chair of the Committee which is made up of all three independent Non-executive Directors (Stuart Warriner, Yvonne Monaghan and myself) and is supported by Lucy Penfold as Company Secretary. The Committee meets three times per year and the meetings are attended by the CEO and CFO. In 2022 all three meetings had full Committee attendance.

Responsibilities of the Nomination Committee

Throughout the year, the Committee continued to fulfil its duties, as applicable, on behalf of the Group Board. It has an established, structured agenda and the responsibilities of the Committee are defined by the terms of reference which can be viewed on the Company's website. These include primary responsibility for:

- leading the process for board appointments as and when they arise and making recommendations to the Group Board;
- leading on, and being responsible for, the Group's diversity, equity and inclusion (DEI) policy, objectives and strategies;
- regular review of the structure, size and composition (including diversity and the skills, knowledge and experience) required of the Group Board;
- oversight of succession planning for the Group Board and senior executives;
- identifying, and nominating for the approval of the Group Board, candidates to fill Group Board vacancies as and when they arise;
- before an appointment is made by the Board, evaluating the diversity, balance of skills, knowledge, experience (including experience of the AIM Rules for Companies and/or previous experience of listed companies if appropriate) and independence on the Board; and
- reviewing annually the time required from Non-executive Directors.

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

Evaluation of the effectiveness of the Nomination Committee

To ensure that it is operating at maximum effectiveness, the Committee used output from the formal Group Board Effectiveness review detailed on page 71 to review and evaluate its own performance and constitution during Q4 22. It concluded that the Committee was operating effectively, and no action or changes were required to be recommended to the Group Board. The annual review of the Committee's Terms of Reference resulted in the amendment of the terms to formally add responsibility for the Group's DEI policy, objectives and strategies. Updated terms of reference were approved by the Group Board and are available on the Company's website.

I am pleased with the progress made over 2022 in all Committee matters, as follows:

(i) Succession planning and internal talent management

- Further development of a formal approach and addition of 'in case of emergency' cover for each role, alongside permanent successors
- Ensuring that succession plans were being developed and maintained
- Reviewing implementation status and making recommendations for prioritisation and greater emphasis during 2023, including internal activity aimed at cultivating a diverse talent pipeline of future leaders; and external activity around active networking and investing in relationships with organisations and recruiters with shared DEI objectives and approach

The Committee satisfied itself that initial stage succession plans were in place at Operating Board level, in addition to Group Board and Group senior management. It further ensured that development programmes and/or coaching for key Group Senior Executives, remained on the agenda.

(ii) Non-executive Director Skills Matrix

- Evolution of the matrix to show existing and forward-looking skills coverage at a more granular level and in more areas on the technology front

This highlighted a potential need for specific technical skills around 'Digital technologies and SaaS' at Board level and instigated further activity in this area, to assess the need in more detail and possible actions with external advisors.

(iii) Board Appointment Process

- Minor updates to documented formal Board Appointment Process

The Committee satisfied itself that the process remained rigorous and transparent and was designed to work hand-in-hand with the Group's DEI policy. In Q1 2023, upon the Committee's recommendation, an equivalent process was documented for Group Senior Executives and Operating Board level.

(iv) Review of Board Structure, Size, Diversity and Composition

- Oversight of engagement of short-term Board technology consultant
- 'Needs Analysis' conducted by Committee Chair to seek stakeholder input on low 'technical' skills coverage around 'Digital technologies and SaaS' as identified by the Non-executive Director Skills Matrix

(v) Group Board Effectiveness Review

- Assessment of how the formal review could be developed or improved
- On process – consideration of options, concluding that the current process remained appropriate and effective given the size, nature and complexity of the Board
- On assessment criteria – evaluation of sufficient linkage with the Group's needs and objectives and coverage of stakeholder interests, concluding that the current assessment evaluation topics and criteria reflected the right priorities and areas of stakeholder interest

The Committee satisfied itself that the current review format remained fit for purpose and initiated the review to commence in Q4 2022. Please see page 71 for further details.

(vi) Non-executive Director re-appointment – The initial three-year term for each Non-executive Director expired November 2022.

- Consideration of the independence of character and judgement of each Non-executive Director
- Review of performance of each Non-executive Director, having regard to the Skills Matrix and skills required generally
- Consideration of potential conflicts of interest, external appointments and time availability, together with possible 'overboarding' issues

Nomination Committee Report

The Committee satisfied itself that each Non-executive Director remained independent and continued to make an effective and valuable contribution to the Board, demonstrate a strong commitment to their role and the Board, and to the long-term success of the Company. The Committee recommended to the Board for approval that all be re-appointed as a Non-executive Director for a further three-year term. Each Committee member disclosed their interest in their own evaluation and abstained from discussion and decision-making in that regard.

(vii) Diversity, Equity and Inclusion Review

- Chair met with DEI Sponsor for each business
- Minor updates and re-adoption of Group DEI Policy
- Annual DEI review covering the Policy's implementation and progress on DEI initiatives over 2022, considering alignment with succession planning, impact since introduction and indications of desire to embrace diversity in recognition of the correlation between diversity and business performance
- Review of how diversity in the Group would continue to improve
- Decision to seek external advice on measuring diversity levels and existing minority groups in the context of a global business, seen as important to ensure internal confidence in approach, to demonstrate robustness in reported status, and to enable accurate tracking of progress on improving diversity in the future
- Decision to engage external governance consultants to obtain validation of the Group's DEI strategy and approach, seeking a tangible DEI action plan with a view to working towards a quality accreditation mark. Please see page 38 for further details

The Committee concluded that the Policy continued to reflect the Group's approach to DEI in practice.
It acknowledged that change takes time, but activity to date and close alignment in thinking around succession planning with DEI, was a positive step. The Committee concluded that the 2023 priority area for focus was to continue to promote and achieve ethnic diversity in the Group.

The Group Board considered the DEI Review by the Nomination Committee and noted that this, together with the Board discussion on diversity as part of the Board Effectiveness Review, amounted to a retrospective look back over the preceding 12 months to consider how commitment to DEI had advanced. This resulted in positive steps to advance DEI further over the coming years being agreed.

(viii) Annual review of Membership of all Committees / Effectiveness of Committee's performance / Terms of Reference

- Review of Group Board and Committee membership and time requirements of Non-executive Directors. No action was recommended to the Board
- Review of the Committee's own performance over 2022 noting high scores in Board Effectiveness Review around its constitution, performance of its delegated role, and reporting to Board. No action was recommended to the Board
- Updates to the Committee's Terms of Reference to include reference to DEI oversight and recommendation to the Board for re-approval

(ix) All Directors to stand for re-election at 2023 AGM

During Q1 23 the Nomination Committee recommended to the Group Board that all Directors should seek re-election by the Group's shareholders at the 2023 AGM.

Richard Law
Chair of the Nomination Committee
21 March 2023

Key Governance Policies

To foster high standards of conduct, ethics and compliance, the Group has developed a number of key governance policies which are focused upon the Group Board's areas of priority.

We have developed Group policies to provide consistency across our businesses and to cascade down from the Group Board a shared understanding of the tone and standards expected from everyone on ethical behaviour and responsible business practices.

Our policies consider:

- Our legal and regulatory obligations
- Our QCA Code governance obligations
- Best practice recommended by advisors /commentators
- How best to reflect our own businesses and be relevant and meaningful to all employees

Policies are reviewed and re-approved annually to ensure alignment with current laws and best practice.

During the year, the team developed and evolved its governance policy framework further, as follows:

Group Framework on Conduct, Ethics and Compliance

Approval and adoption of a new Group Framework which is an umbrella document to cover all Group conduct, ethics and compliance priorities, and include links to all Group Policies in one place.

New Group Policies

Approval and adoption of new Group Policies, sitting under the Framework, as follows:

a) Group Environmental and Climate Change Policy
b) Group Health, Safety and Well-being Policy
c) Group Labour Standards and Human Rights Policy
d) Group Data Protection Policy
e) Group Anti-facilitation of Tax Evasion Policy

Each have the aim of ensuring that, when implemented, they work and resonate well with everyone across the Group's businesses and add value.

In addition, the following policies were reviewed and re-approved, with amendment where necessary, to ensure that they remained up to date, consistent with other Group Policies and fit for purpose:

Anti-bribery and corruption policy

The zero-tolerance approach to bribery and corruption outlined in this policy reflects the Group's commitment to act honestly, professionally, fairly and with integrity in all business dealings and relationships. This policy is designed to ensure adherence to the provisions of the Bribery Act 2010 and to take account of "Business Principles for Countering Bribery" published by Transparency International. This also covers corporate gifts and hospitality, and appropriate business ethics. Compliance with this policy is confirmed annually by the Group's management teams.

Whistleblowing policy

This policy supports and encourages employees and stakeholders to raise issues or concerns in respect of conduct within the organisation that could fall below expected standards without fear of recrimination, victimisation, or suffering a disadvantage of any kind. It reflects the Group's commitment to high standards of honesty, openness, integrity and accountability. This policy promotes a culture of openness and ensures that everyone knows how to raise a concern.

During 2022, work was undertaken to enhance our whistleblowing portal, and to promote the policy and platform to employees and to the Group's suppliers to ensure awareness of it and its intended use.

Key Governance Policies

Anti-slavery and human trafficking policy

This policy outlines the responsibilities of our businesses to implement and enforce effective systems and controls, to ensure that modern slavery is not taking place anywhere in our own businesses or in any of our businesses' supply chains. This reflects the Group's zero-tolerance approach to modern slavery, exploitation and violation of fundamental human rights. Adherence to these principles is addressed through staff induction, ongoing training and communications. Suppliers are required to comply with our policies on these matters with compliance enforced through robust vendor audits, supplier visits and ongoing training.

Group wide dealing policy and share dealing code

These policies are designed to ensure that Directors and employees do not misuse, or place themselves under suspicion of misusing, information about the Group which is not public and they support compliance with the applicable regulatory framework on market abuse.

During 2022, work was completed to enhance communication around this policy and to introduce a new reminder process that ensures a current and clear understanding of the principals of the policy and its requirements in the minds of our 'Code Employees' and 'PDMRs'.

Diversity Equity & Inclusion ('DEI') Policy

As part of the annual DEI Review conducted by the Nomination Committee, an updated DEI Policy to standardise and ensure consistency with other Group policies was reviewed and approved. For more detail please see page 64.

Responsibilities

Each policy notes which Director of the Board has primary responsibility for establishing and maintaining proportionate and effective policies and processes for that area. It also states that, ultimately, the Group Board has overall responsibility for ensuring that the policy complies with legal and ethical obligations, and that it is complied with.

The Group Executive Committee is responsible for reviewing policies prior to passing up to Group Committee level (as appropriate), then to Group Board, for approval. The Group Executive Committee also communicates down all finalised policies to the senior executives to ensure consistent messaging and the Divisional Leads are responsible for implementing the policies, as appropriate for their business.

Overseeing compliance priorities

Group Board
- Group GC and Co Sec
- Group CEO/Group CFO
- Group Senior ESG Officer and Data Protection Officer

Audit Committee | **Nomination Committee**

Group Executive Committee

Brand Addition Divisional Lead | **Fascilisgroup Divisional Lead**

Group Values
Framework on Conduct, Ethics and Compliance
Group Policies
Whistleblowing

Our Priorities

Delivering long-term growth.

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

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

	Commentary	Cross-reference to detail
Principle 1: Establish a strategy and business model which promotes long-term value for shareholders.	The Group Board has a clear strategy for delivering shareholder value in the medium to long-term. The Chair and CEO work closely to ensure the message and direction is strong and understood. The Group Board held its annual strategy event over two days in October 2022 to discuss its ongoing vision for the Group, its direction and strategic priorities. The output focused on: • competition, new business and technology • driving increased growth and scale • our people and team structures • our advisers • investor relations strategy • risk management • succession planning • accelerating our long-term growth aspirations	The Company's business model and strategy are detailed in the following sections of this Report: · the Group's strategy on page 17 · The Group's vision on page 4 · The Group's business model on pages 4-5 · The Chair's report on page 12 · The CEO's review on page 14 · Our strategy in action on page 17

Principle 2: Seek to understand and meet shareholder needs and expectations.	The Executive Directors have primary responsibility for contact with shareholders and maintain an active and frequent dialogue. They provide regular Group Board updates on shareholder meetings and provide the Non-executive Directors with all reports and feedback issued by analysts and brokers to support their understanding of the view of the Group by the investment community. Throughout 2022 the Group has considerably increased engagement with the investor community in a number of ways. The Group Executive Committee discusses shareholder needs and expectations in the context of upcoming market announcements and other touchpoints at every monthly meeting and reviews investor feedback received following each of those touchpoints. The 2023 AGM will repeat the arrangements established in 2021 to ensure maximum opportunity for shareholder engagement in that forum by enabling shareholders to view the meeting via a live webcast and participate via live Q&A functionality. Should you wish to request a meeting or submit a question, please contact investors@thepebblegroup.com.	Investor presentations can be found on the Company's website. How we have increased engagement with shareholders is detailed in the Stakeholder engagement section of this report on page 21 and also outlined as a key initiative for 2022 in our Section 172(1) statement on page 23.

Corporate governance statement

Principle 3:

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

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

The Group invests in and works consistently to develop and strengthen the relationships it has with all of its stakeholders, to understand their needs and requirements.

The Group Board and its Committees have regard to relevant stakeholder interests in all key decision making and our report template prompts authors to outline the consequences of each proposal on the long-term success of the Company including (where relevant) the impact on the Company's wider social responsibilities.

Our values are on page 1.

Information on how our business model identifies key resources and relationships is contained on pages 5-11.

How the Company obtains stakeholder feedback and the output of that is in the Stakeholder engagement section of this report at page 18-22.

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

Principle 4:

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

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

Risk management is embedded from the Group Board to the Audit Committee, to the Group Executive Committee, to the Operating Boards. There is an effective process for identifying, assessing and managing risks in this framework and risk registers are held and reviewed on a biannual basis at Operating Company level, as well as at Group level. The Audit Committee provides the assurance that the risk management and related control systems in place are effective.

The risk management framework is explained, together with details of the key risks and opportunities facing the Group and related mitigating actions to manage these risks, on pages 51-55.

The Audit Committee report on pages 77-80 explains how it oversees the effectiveness and integrity of the internal control systems.

Principle 5:

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

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

Executive Directors dedicate a full-time commitment to the Company. Non-executive Directors provided a strong time commitment in 2022, allocating sufficient time to effectively discharge their responsibilities. This included the preparation for, attendance at, and dealing with actions arising from all Group Board and Committee meetings, which had full attendance.

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

The 2022 Annual Group Board Effectiveness review highlighted the following as particular areas of strength, which the Board concluded were an indication that the Directors were operating very effectively and performing to a high standard as a unit, in Committees, and also individually as Directors:

- Board members attendance and active contribution at meetings
- Independence of character and judgement of Board members
- Time commitment of Non-executive Directors
- Role of Chair and Role of Senior Independent Director
- Executive Directors and Company Secretary performance

Group Board structure and composition details are on page 58.

Detailed information on Group Board and Committee meeting frequency can be found in the Group Board of Directors section on pages 74 and 75.

For more detail on Board Agenda please see page 59.

For full details of the Annual Group Board Effectiveness review 2022 results, see Principle 7 below.

Corporate governance statement

Principle 6:

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

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

Director's skills and experience are detailed on pages 74 and 75 and also on the Company's website.

The skills and experience of the Group Board are reviewed annually through use of a forward-looking skills matrix to ensure that the Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders. The review in 2022 highlighted a potential need for specific technical skills around 'Digital technologies and SaaS' at Board level and instigated further activity in this area, including a 'Needs Analysis' to assess the need in more detail and possible actions with external advisors.

Information on how the Nomination Committee actively reviewed Group Board structure, size and composition in 2022, is on page 63.

The 2022 Group Board effectiveness review assessed the performance of the individual Directors and found no issues, highlighting knowledge and experience of capital market rules and understanding of obligations of a quoted company as a particular strength. Further, all Directors were re-elected at the 2022 AGM and it is the Company's intention to continue to subject all Directors to re-election annually.

For full details of the results of the 2022 Annual Group Board Effectiveness review, see Principle 7 below.

A Director performance evaluation by the Nomination Committee in both Q4 22 and Q1 23 concluded that each Director continued to make an effective and valuable contribution to the Group Board, and that each Director demonstrated a strong commitment to their role and to the long-term success of the Company.

For full details of the Director performance evaluation conducted by the Nomination Committee in Q4 2022 and Q1 23, see page 71.

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

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

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

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

Fostering a culture of continuous improvement is important to the Chair, who participated in a series of coaching sessions at the Company's expense during 2022, as part of his own commitment to continued professional development.

The Group Board and Committees use professional advisors at the Company's expense when considered necessary.

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

Principle 7:

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

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

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

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

The Nomination Committee reviews the Group Board effectiveness process annually to enhance and improve the exercise. The process followed in 2022 was as per the above, which was considered to remain fit-for-purpose given the size, nature and complexity of the Group Board and its Committees, current stability of composition and governance maturity.

Details of the Nomination Committee update to its Group Board effectiveness review criteria in 2022 (to ensure it remained fit-for-purpose) is on page 63.

Results and recommendations of the 2022 Review

Particular strengths highlighted (not already mentioned in principles above):

- Constitution and performance of Board Committees
- The integrity of the financial controls and systems of risk management, being robust and resilient
- The Board's demonstration of stewardship through effective communication with all of the company's stakeholders and taking account of their interests
- Tone from the top and a performance culture that drives value creation without exposing the company to excessive risk or value destruction

Recommendations:

- On Board mix of skills, experience and knowledge, a lower score reflected the Non-executive Director skills matrix output, which had highlighted the potential need for specific technical skills around 'Digital technologies and SaaS' at Board level. Actions were agreed to take steps to explore that further

Details of the Nomination Committee update on the Non-executive Director skills matrix review is on page 63.

- On Board diversity, a lower score reflected the absence of ethnic diversity on the Board and need to develop a more specific action plan, with measurable targets for achieving increased diversity. It was agreed that an external consultant be engaged to carry out an in-depth exercise, provide external validation of the Group's DEI policy and approach, and produce a practical action plan

Details of plans in place to work with an external DEI consultant are on page 38.

Progress against previous recommendations

The Group Board has addressed the areas for development identified in the 2021 performance review as outlined in the Company's 2021 Annual Report. In particular:

- During the year, the Chair attended five one-to-one virtual investor meetings on approach, values and principles in relation to governance
- Enhanced ESG resource was added to Brand Addition in the form of further investment into its sustainability team and the hire of three sustainability product managers

Corporate governance statement

Principle 8:

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

The Group's values shape our culture, define who we are, what we do and how we act. We believe they demonstrate our commitment to ethical behaviour.

For details of our values please see page 1.

For information on how the Company's culture is consistent with its objectives, strategy and business model, please see pages 59-60 under Operating Boards and Group Executive Committee.

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

Our assessment of our principle risks and uncertainties reflects our ethical culture and balanced risk appetite. For details, please see pages 51-55.

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

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

Information on monitoring compliance with certain policies can be found in the Audit Committee Report on pages 77-80.

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

For details of the key governance policies in place across the Group, and enhancements during 2022, please see pages 65-66.

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

Annual employee performance evaluations within Brand Addition assess alignment with and embodiment of its core values, including '*Do the right thing*'. Within Facilisgroup, 50% of bonus to employees is earned based on individual performance which is aligned with embodiment of core values. Employees that are not aligned with core values can be assigned a specific Performance Improvement Plan and will not be paid a bonus.

In October 2022, the Company published its second ESG report in which it set out its ESG strategy and the framework which underpins its approach to ESG.

During 2022, the Group has developed and enhanced its governance polices and processes, including adoption of a new Group Framework on conduct, ethics and compliance.

Our full ESG report is available in the 'investors' section of our website.

For more detail on the new Group Framework please see page 65.

Principle 9:

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

The Group's governance structures have evolved and developed so that they fit naturally with our culture and way of working. They will remain under review during 2023 and will evolve where required in line with the Company's planned growth.

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

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

The Group Board and its Committees operate within formal processes and timetables facilitated by the Company Secretary. Each meeting has an agenda, a Group Board reporting template (with Section 172 guidance), appropriate and timely information is circulated in good time prior to each meeting, and meetings are planned to ensure that appropriate time is allotted for open and in-depth discussion. All actions arising are formally tracked, followed up by the Company's management and reported.

The Chair and Company Secretary keep Group Board processes under review to develop and formalise, including conducting detailed annual planning and agenda setting which aligns with the terms of reference. This results in the Group Board and its Committees receiving high quality, accurate and timely information on a regular basis which supports good decision-making by the Directors.

The Group's governance structures are explained on pages 58-61.

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

The roles of the Group Board's Committees are described in detail on pages 60-61.

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

For more detail on Board Agenda, please see page 59.

Principle 10:

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

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

The enhanced investor relations activity during 2022 increased communication with investors on matters of governance and performance.

In October 2022, the Company published its second ESG report in which it set out its ESG strategy and the framework which underpins its approach to ESG.

Shareholders and other relevant stakeholders are free to engage in dialogue with the Company via investors@thepebblegroup.com

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

For details on the increased investor relations activity during 2022, please see page 23.

Our full ESG report is available in the 'investors' section of our website.

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

Board of Directors

Leading with experience.

KEY TO COMMITTEE MEMBERSHIP

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

Richard Law
Chair and Independent Non-executive Director

Tenure
3 years 4 months

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

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

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

Committee membership
Ⓐ Ⓡ Ⓝ

Meetings attended in 2022

Board meetings and AGM	9/9
Audit Committee meetings	3/3
Remuneration Committee meetings	4/4
Nomination Committee meetings	3/3

Christopher (Chris) Lee
Chief Executive Officer (CEO)

Tenure
23 years

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

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

Committee Membership
- Group Executive Committee

Meetings attended in 2022

Board meetings and AGM	9/9
Group Executive Committee Meetings	9/9

Claire Thomson
Chief Financial Officer (CFO)

Tenure
15 years

Experience
Claire has led the finance, banking, tax, legal and compliance aspects of the businesses which now comprise the Group for over 14 years. She took on the role of Chief Financial Officer following the management buyout in 2012. Claire is a qualified Chartered Accountant and prior to joining the Group, spent 11 years in audit at PricewaterhouseCoopers, having joined in 1997. Claire has a BA Hons degree in English and American Literature from the University of Manchester.

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

External appointments
- Director at Cheadle Hulme School

Committee Membership
- Group Executive Committee

Meetings attended in 2022

Board meetings and AGM	9/9
Group Executive Committee meetings	9/9

Yvonne Monaghan
Independent Non-executive Director and Senior Independent Director

Tenure
3 years 4 months

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

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

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

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

Committee membership
A R N

Meetings attended in 2022

Board meetings and AGM	9/9
Audit Committee meetings	3/3
Remuneration Committee meetings	4/4
Nomination Committee meetings	3/3

Stuart Warriner
Independent Non-executive Director

Tenure
3 years 4 months

Experience
Stuart has extensive corporate finance experience with a career in investment banking and as a Corporate Finance Partner at PricewaterhouseCoopers. Stuart has an MA in Economics from the University of Cambridge and is a qualified Chartered Accountant.

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

External appointments
- Senior Advisor at Houlihan Lokey
- Non-executive Chair at Blue-I Holdings Limited
- Non-executive Director of Lodestone Oxford Limited

Committee membership
A R N

Meetings attended in 2022

Board meetings and AGM	9/9
Audit Committee meetings	3/3
Remuneration Committee meetings	4/4
Nomination Committee meetings	3/3

Senior Executives

Divisional Leads

Lucy Penfold
Group General Counsel and Company Secretary

Tenure
2 years 3 months

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

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

Committee membership
- Group Executive Committee

Meetings attended in 2022

Group Executive Committee meetings	8/9

Ashley McCune
President, Facilisgroup

Tenure
16 years

Experience
Ashley was appointed President of Facilisgroup in January 2020, following the acquisition by The Pebble Group in 2019. Prior to that, she oversaw the finance, operations and marketing aspects of the business as a senior leader of Facilisgroup for over 10 years. Ashley has 19 years of experience in the promotional products industry in both the distributor and technology arenas. She has a business degree from Southern Illinois University and in 2022, she completed the Board of Directors programme with Henley Business School. Most recently, Ashley has been inducted into the YPO, a worldwide leadership committee of 29,000 chief executives.

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

Board and Committee membership
- Group Executive Committee

Meetings attended in 2022

Group Executive Committee meetings	9/9

Karl Whiteside
Group MD, Brand Addition

Tenure
5 years

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

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

Board and Committee membership
- Group Executive Committee

Meetings attended in 2022

Group Executive Committee meetings	9/9

Monitoring the quality of internal controls.

Yvonne Monaghan
Audit Committee Chair
Independent Non-executive Director and Senior Independent Director

Dear shareholder,

I am pleased to present the Audit Committee Report for the year ended 31 December 2022.

Composition and experience of the Audit Committee

I am Chair of the Committee which is made up of all three independent Non-executive Directors (Stuart Warriner, Richard Law and myself) and is supported by Lucy Penfold as Company Secretary. All three Non-executive Directors are qualified chartered accountants, with considerable business experience in senior financial and operational roles, including knowledge of financial markets, as detailed in the Group Board biographies on pages 74-75. All members of the Committee are regarded as having recent and relevant experience.

The Committee meets three times per year, including once at the planning stage before the external audit and once after the external audit at the reporting stage, to facilitate discussions relating to the financial statements and internal controls of the Group. The meetings are attended by the CEO and CFO, as well as the external auditors, PwC. In 2022 all three meetings had full Committee attendance, and PwC attended two of the three meetings. Additionally, the Committee meets the external auditors at least once per year without executive management present, to discuss the auditors' remit and any issues arising.

Responsibilities of the Audit Committee

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

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

- reviewing the effectiveness of the Group's internal controls, including review of the scope and adequacy of the Group's processes and controls in respect of whistleblowing, anti-bribery and failure to prevent tax evasion;

Audit Committee report

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

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

Evaluation of the effectiveness of the Audit Committee

To ensure that it is operating at maximum effectiveness, the Committee used output from the formal Group Board Effectiveness review detailed on page 71 to review and evaluate its own performance and constitution during Q4 22. It concluded that the Committee was operating effectively, and no action or changes were required to be recommended to the Group Board. The annual review of the Committee's terms of reference resulted in the amendment of the terms to extend the Committee's duties regarding business risk, to include the review of ESG and climate related risks and opportunities. In addition, the terms were amended to specifically refer to the review of the Group's systems and controls for the prevention of facilitation of tax evasion. Updated terms of reference were approved by the Group Board to include these amendments and are available on the Company's website.

Significant matters considered in relation to the financial statements

At the request of the Group Board, the Audit Committee considered whether the 2022 Annual Report was fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Group's performance, business model and strategy. The Committee were satisfied that, taken as a whole, the 2022 Annual Report was fair, balanced and understandable.

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

- review of the capitalisation of software development costs;
- appropriateness of the carrying value of goodwill, intangibles and investments;
- review of the controls processes over purchase to payment and payroll;
- Alternative Performance Measures; and
- going concern assessment.

Alternative Performance Measures (APM's)

We refer to a number of APM's throughout the Annual Report. These are used by the Group to provide additional clarity to the Group's financial performance and are used internally by management to monitor business performance, in its budgeting and forecasting and for determination of Directors' and senior team's remuneration.

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

- Adjusted EBITDA which means operating profit before depreciation, amortisation, share-based payments charge and exceptional items
- Adjusted operating profit which means operating profit before amortisation of acquired intangible assets, share-based payments charge and exceptional items
- Adjusted profit before tax which means profit before tax, amortisation of acquired intangible assets, share-based payments charge and exceptional items
- Adjusted Earnings which means profit after tax before amortisation of acquired intangible assets, share-based payments charge and exceptional items
- Adjusted earnings per share which means Adjusted Earnings divided by a weighted average number of shares in issue
- Adjusted operating cash flow which is calculated as Adjusted EBITDA less movements in working capital, capital expenditure and lease payments

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

External audit

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

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

The total fees payable to the Group's external auditors in respect of the year under review amount to £310,000 (FY 21: £210,500). No non-audit services were provided in FY 22 (FY 21: £nil).

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

The respective responsibilities of the Directors and external auditors in connection with the Group financial statements are explained in the Statement of Directors' Responsibilities on page 94 and the Auditors' Reports on pages 95-99.

Review of external auditors' effectiveness

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

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

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

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

Internal control and risk management

As explained in more detail in the Risk Management section of the Strategic report on pages 51-55, the Committee supports the Group Board in reviewing the Group's risk management methodology and the effectiveness and integrity of the Company's internal control and risk management systems. Regular internal control updates are provided to the Committee, which include reviewing and updating the nature and extent of principal risks and uncertainties faced by the Group contained in the Group's risk register and assessing the mitigating actions in place and updates to action plans agreed in previous meetings. In FY 22, this remit was extended to include oversight of climate related risks and opportunities, and thereby align the Group's risk management processes with TCFD requirements. The Committee discussed and reviewed the Group's risk register twice in FY 22; key areas of focus being cyber security, the macroeconomic environment, employee retention and climate change. On each occasion it concluded that all risks and opportunities had been appropriately identified and recommended the Group's risk register to the Group Board for approval.

Whistleblowing

The Committee ensures that the Group has an appropriate whistleblowing policy and confidential process in place that is designed to support and encourage employees and other stakeholders to raise concerns in respect of conduct within the organisation, without fear of recrimination or suffering a disadvantage of any kind. The policy reflects the Group's commitment to high standards of honesty, integrity and accountability, and it promotes a culture of openness by enabling stakeholders to report any misconduct, malpractice, illegalities, wrongdoing or matters of similar concern using the Group whistleblowing portal, which is available 24 hours a day. During the year, the policy was reviewed and updated by the Committee and re-approved by the Board to ensure continued compliance with best practice and alignment with our businesses and ways of working. In addition:

(i) the Group's whistleblowing portal was updated and enhanced to include a new landing page and improved user experience;

(ii) Supplier contract templates were amended to formally enable access to, and publicise, the portal to our Group's suppliers; and

(iii) Internally, the portal was promoted to our employees through the display of posters at all sites.

Audit Committee report

Summaries of any whistleblowing reports and resolutions are reported to the Committee. Where a matter is raised, a proportionate investigation is undertaken by independent management with support and guidance from the Committee, if necessary. During the year, one matter was raised via the whistleblowing process and was an employee related grievance which was escalated to HR and the relevant local manager for investigation and resolution.

Internal audit

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

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

Risk and compliance policies

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

The Audit Committee initiated a project to review the Group's approach to the corporate offence of failure to prevent facilitation of tax evasion, introduced by the Criminal Finances Act 2017. The Group Executive Committee developed a project plan to refresh the Group's risk assessment on this and to ensure that prevention procedures remained up to date and fit for purpose. External advisers were engaged in Q1 22 to support this work, and a new policy and refreshed reasonable prevention procedures were approved and adopted in August 2022 and centrally co-ordinated training was delivered to all relevant Group employees.

For full details of our Group polices and work performed in 2022, please see pages 65-66 of this report.

Yvonne Monaghan
Chair of the Audit Committee
21 March 2023

Aligning the interests of Executive Directors and shareholders.

Stuart Warriner
Remuneration Committee Chair
Independent Non-executive Director

This report is for the year ended 31 December 2022. It sets out the remuneration policy and the detailed remuneration for the Executive and Non-executive Directors of the Company. As an AIM-quoted company, the information is disclosed to fulfil the requirements of AIM Rule 19. The Pebble Group plc is not required to comply with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The information is unaudited except where stated.

Dear shareholder,

I am pleased to introduce the Directors' Remuneration Report for the 2022 financial year. This letter introduces the report, outlines the major decisions on Directors' remuneration during the year and explains the context in which these decisions have been taken.

The Pebble Group plc is committed to high standards of corporate governance and our policy and disclosures on Directors' remuneration are intended to reflect this approach. Through this report, we aim to provide shareholders with the necessary information to understand our remuneration strategy and how it links with Group performance and we welcome shareholder feedback on these matters. To reflect our approach to good corporate governance and to promote engagement between the Remuneration Committee and our shareholders, we will put this Directors' Remuneration Report to an advisory vote at the 2023 AGM, as we have in previous years. At the 2022 AGM, this resolution was supported by 100% of votes cast.

Remuneration report

Remuneration policy

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

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

I believe that there is a clear link between variable pay and operational and financial performance and I consider all performance metrics used to be stretching and aligned with our strategy and business model.

In order to ensure that the remuneration policy remains appropriate and effective, the Committee's approach is to review one element of remuneration each year. During 2022, the Committee looked in detail at the structure, workings and performance conditions applied to Long Term Incentive Plan (LTIP) awards. Following this review, the Committee determined to make no major changes to its LTIP structure, which was concluded to remain relevant, appropriate and consistent with best practice.

In the 2021 report, I explained that the Committee had determined not to include specific Environmental, Social and Governance (ESG) related criteria to determine variable pay but would keep the matter under review. The Committee sought external advice and considered this in more detail during 2022, including looking at our peers and what specific ESG linked performance measures the Committee could potentially incorporate. In early 2023, the Committee decided that meaningful ESG criteria linked to tangible targets should be incorporated in 2024.

Performance and decisions on remuneration taken during 2022

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

- continuing to invest in, and show progress against, the medium-term growth plan for Facilisgroup; and
- continuing to grow Brand Addition sales against a volatile macroeconomic background.

Details of progress against these objectives have been provided throughout the Strategic Report on pages 2-55.

In the context of these objectives, the following remuneration decisions were made by the Remuneration Committee:

- Annual Bonus Plan Awards to Executive Directors for 2022 were approved and granted subject to performance targets agreed by the Committee based solely on the Group's financial results, using the Adjusted EBITDA performance;
- Bonus payments to Executive Directors for 2021 under the Annual Bonus Plan Awards granted in 2021 were approved as follows: Chris Lee £114,750 (being 42.5% of salary) and Claire Thomson £85,000 (being 42.5% of salary); and
- The annual grant of awards under the LTIP were made on 29 March 2022.

Information on how remuneration will be operated in 2023 is set out at the end of this report.

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

Stuart Warriner
Remuneration Committee Chair
21 March 2023

Composition of Remuneration Committee

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

Evaluation of the effectiveness of the Remuneration Committee

To ensure that it is operating at maximum effectiveness, the Committee used output of the formal Group Board Effectiveness review detailed on page 71 to review and evaluate its own performance, constitution and terms of reference during Q4 2022. It concluded that the Committee was operating effectively, and no action or changes were required to be recommended to the Group Board. The terms of reference were re-approved by the Group Board with an amendment recommended by the Committee to include a specific duty to consider the inclusion of ESG related criteria to determine Executive's variable pay.

Remuneration policy

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

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

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

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

The structure of executive remuneration is in line with that of many established UK quoted companies balancing fixed remuneration, annual bonus and long-term performance share awards. Approximately 65% of the potential remuneration of the Executive Directors in 2022 was subject to the achievement of performance targets, made up of a maximum annual bonus opportunity at 100% of salary and an annual performance share award at 100% of salary. The link of remuneration outcomes to long-term performance is primarily through the LTIP which has stretching three-year targets based on basic adjusted earnings per share (EPS) and total shareholder return (TSR), and a two-year post-vesting holding period is applied. The Committee recognises the risk of target-based plans and addresses this risk through: (i) careful consideration in the choice and pitching of performance targets; (ii) the ability to exercise discretion; (iii) the attachment of malus and clawback provisions to LTIP awards; and (iv) the application of a shareholding guideline. In the light of this remuneration structure and the substantial shareholdings of both the CEO and CFO, the Committee is satisfied that the Executive Directors are well aligned with the long-term performance of the Company.

The Committee will take into account periodic external comparisons to examine current market trends and practices at equivalent roles in similar companies. Additionally, in making its decisions in 2022 the Committee also consulted external consultants h2glenfern Remuneration Advisory Limited (H2glenfern), where appropriate, to provide advice on best practice and market trends. H2glenfern is a member of the UK Remuneration Consultants Group (RCG) and has confirmed that it complies with the RCG Code. H2glenfern has no other relationship with the Company and the Committee is satisfied that the advice it receives is independent and objective. H2glenfern advised and assisted the Committee in respect of the review of its LTIP its consideration of the inclusion of ESG metrics, (each as outlined above) during 2022.

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

Elements of Remuneration

Element	Link to remuneration policy/strategy	Operation	Maximum opportunity	Performance metric
Base Salary	To help recruit and retain high performing Executive Directors. Reflects the individual's experience, role and importance to the business.	Base salary is reviewed annually as at 1 January with reference to each Executive Directors' performance and contribution during the year, company performance, the scope of the Executive Directors' responsibilities and consideration of competitive pressures.	There is no prescribed maximum annual base salary or salary increase. The Committee is guided by the general increase for the broader employee population but has discretion to decide on a lower or a higher increase.	The Committee considers individual and Company performance when setting base salary.
Benefits	To help recruit and retain high performing Executive Directors. To provide market competitive benefits.	Benefits are in line with those offered to other senior management employees and may include medical expenses cover and life insurance cover. The CEO and CFO also receive permanent health insurance cover and a Company car, the value of which is equivalent to 5% of base salary per annum. The Company car is provided to Executive Directors as an alternative to an employer's pension contribution.	No maximum potential value other than Company car, the value of which is capped at 5% of base salary per annum where provided as an alternative to an employer's pension contribution.	None
Pension	To help recruit and retain high performing Executive Directors. To provide market competitive pensions.	Employer's pension contribution or a cash supplement. The CEO and CFO have opted to take a Company car contribution as an alternative to an employer's pension contribution.	5% of base salary, which is aligned with the pension contribution made by the Company to its UK workforce.	None
Annual Bonus Plan	To incentivise and reward performance. To align the interests of the Executives and shareholders in the short and medium term.	The Annual Bonus is earned by the achievement of one-year performance targets set by the Remuneration Committee. The parameters, performance criteria, weightings and targets are ordinarily set at the start of each financial year. Payments are made in cash following completion of the year subject to the Committee's assessment of performance against targets and other matters it deems relevant. Awards are subject to malus and clawback provisions.	The maximum bonus opportunity for the CEO and CFO is 100% of base salary.	Performance measures may include financial, non-financial, personal and strategic objectives. Performance criteria and weightings may be changed from year to year. For 2022, the performance targets were based on Adjusted EBITDA. For 2023, the performance targets are based on operating profit which the Committee now considers to be the most relevant key financial performance indicator for bonus purposes.

Element	Link to remuneration policy/strategy	Operation	Maximum opportunity	Performance metric
Long Term Incentive Plan	To incentivise and reward long-term performance and value creation. To align the interests of Executive Directors and shareholders in the long-term.	Executive Directors are eligible to receive awards under the LTIP at the discretion of the Committee. Awards are granted as nil-cost options or conditional awards which vest after three years subject to the meeting of objective performance conditions specified at award. Awards are subject to malus and clawback provisions. An additional holding period of two years post vesting is applied to awards made to the Executive Directors. Dividend equivalents may be added to awards.	The annual award to the CEO and CFO is normally 100% of base salary.	Performance measures may include financial and total shareholder return (TSR)-based targets. Performance criteria and weightings may be changed from year to year. For awards made in FY 20, FY 21 and FY 22, 70% of the award was subject to a cumulative basic earnings per share (EPS) target and 30% was subject to an absolute TSR target. Details are set out later in this report.
All employee share plan	To encourage all employees to make a long-term investment in the Company's shares in a tax efficient way	The Executive Directors may participate in the SAYE on the same terms as other eligible employees.	The maximum participation level will be aligned to HMRC limits.	None
Shareholding requirement	Encourages Executive Directors to achieve the Company's long- term strategy and create sustainable stakeholder value Aligns with shareholder interests	200% of salary. The shareholdings of the CEO and CFO are currently well in excess of this guideline.		
Non-executive Director remuneration	To provide fees appropriate to time commitments and responsibilities of each role.	Non-executive Directors are paid a base fee in cash. Fees are reviewed periodically. In addition, reasonable business expenses may be reimbursed.	The Group Board is guided by the general increase for the broader employee population and takes into account relevant market movements.	

Remuneration report

Malus and clawback

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

Remuneration of employees below the Group Board

Employees below the Group Board receive base salary, benefits, annual bonus, and senior staff are invited to participate in the LTIP, as well as being eligible to participate in the SAYE on the same terms as other eligible employees.

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

Shareholder consultation

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

The Chair of the Remuneration Committee is available for contact with investors concerning the Company's approach to remuneration. The annual report on remuneration will be put to an advisory vote at the upcoming AGM in 2023.

Executive Directors' service contracts and payments for loss of office

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

Non-executive Directors' letters of appointment

The Non-executive Directors do not have service contracts but instead have letters of appointment. Each Non-executive Director signed a letter of appointment on substantially the same terms as their initial engagement for a second three-year term from 28 November 2022. Each has a three-month notice period.

Consideration of new Executive Directors or senior executives

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

Annual report on remuneration

This section sets out details of remuneration in 2022.

2022 Summary of Directors' total remuneration (audited)

Name	Salary / Fee	Bonus	Pension	Benefits*	Total
Executive					
Christopher Lee	£285,000	£148,770	–	£15,170	£448,940
Claire Thomson	£210,000	£109,620	–	£11,787	£331,407
Non-executive					
Richard Law	£100,000	–	–	–	£100,000
Yvonne Monaghan	£45,000	–	–	–	£45,000
Stuart Warriner	£45,000	–	–	–	£45,000

** car lease and private medical insurance*

2021 Summary of Directors' total remuneration (audited)

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

** car lease and private medical insurance*

2022 Annual Bonus Plan Awards

For 2022, the maximum potential bonus was 100% of base salary. The awards were subject to performance targets set in January 2022 based solely on the Group's financial results, using the Adjusted EBITDA performance, which was considered by the Remuneration Committee at that time to be the Group's most relevant key performance measure for 2022. No bonus is payable for below threshold performance but increases on a straight-line basis from 25% pay-out at threshold, to 60% pay-out at target performance, to 100% pay-out at maximum, as follows:

Pay out level		Adjusted EBITDA
25%	threshold	£16.6 million
60%	target	£18.4 million
100%	maximum	£19.3 million
52%	actual	£18.0 million

The Company achieved adjusted EBITDA of £18.0million in FY 22 which corresponded to a pay out at 52% of maximum for each Executive Director, as shown in the tables above.

Long Term Incentive Plan (LTIP)

LTIP awards were granted to the CEO and CFO on 29 March 2022. The table below summarises all of the awards made to the Executive Directors under the plan.

These are nil cost awards with performance conditions outstanding as at 31 December 2022.

Name and award date	Interest at 31 December 2021	Granted in year*	Vested	Exercised	Lapsed	Interest at 31 December 2022	Performance period ending
Christopher Lee							
21 December 2020	242,152		–	–	–	242,152	30 June 2023
8 June 2021	176,471		–	–	–	176,471	31 December 2023
29 March 2022		280,788	–	–	–	280,788	31 December 2024
Claire Thomson							
21 December 2020	179,372		–	–	–	179,372	30 June 2023
8 June 2021	130,719		–	–	–	130,719	31 December 2023
29 March 2022		206,897	–	–	–	206,897	31 December 2024

** The value at Grant Date was calculated based on the closing share price on 28 March 2022 of 101.5 pence per share. Each of the awards represents an LTIP award over shares worth 100% of annual salary as at the Grant Date.*

Remuneration report

Performance conditions		2020 award 3 years ended 30 June 2023	2021 award 3 years ended 31 December 2023	**2022 award 3 years ended 31 December 2024**
70% Cumulative adjusted EPS Basic adjusted EPS as defined in the LTIP rules, excludes share-based payment charge, exceptional items and amortisation from acquired intangibles	Threshold (25% maximum vesting) Mid-range (60% maximum vesting) Maximum (100% maximum vesting)	13.4p 14.3p 15.1p	15.4p 16.3p 17.3p	**17.6p** **18.8p** **19.9p**
30% Annualised TSR Annualised growth in total shareholder returns	Threshold (25% maximum vesting) Mid-range (60% maximum vesting) Maximum (100% maximum vesting)	8.0% pa 11.3% pa 15.0% pa	8.0% pa 11.3% pa 15.0% pa	**8.0% pa** **11.3% pa** **15.0% pa**

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

The performance period for the 2020 awards (being the three years ending 30 June 2023) was chosen as the timing of the 2020 awards was deferred to December 2020. The performance period for the 2021 awards (being the three years ending 31 December 2023) was chosen to align back with the financial year. The performance period for the 2022 award (being the three years ending 31 December 2024) was again chosen to align with the financial year.

The charge for share based payments is detailed in note 23 to the accounts.

Group Sharesave Plan (SAYE) participation

No SAYE was operated in 2022.

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

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

Directors' interests in shares

The interests of the Directors as at 31 December 2022 and 31 December 2021 in the shares of the Company were:

	31 December 2022		31 December 2021	
Name	Number	% of issued shares	Number	% of issued shares
Richard Law	370,041	0.22%	370,041	0.22%
Christopher Lee	6,091,515	3.64%	6,091,515	3.64%
Claire Thomson	2,907,243	1.74%	2,907,243	1.74%
Yvonne Monaghan	55,000	0.03%	55,000	0.03%
Stuart Warriner	95,000	0.06%	50,000	0.03%

Directors' remuneration for the year commencing 1 January 2023

Executive Directors basic pay 2023

In reviewing Executive Director basic pay in Q4 2022, the Committee looked to ensure that Executive remuneration is fair and competitive. It had regard to the interests of the Group's wider workforce, its shareholders, the impact of the decision on the Company's culture, reputation, and its wider social responsibilities in the context of the current economic landscape, share price and the Group's stage on its growth journey. It also noted that executive salary benchmarking carried out in Q4 2021 indicated that both CEO and CFO base salaries were below market median levels. Following consideration of the remuneration policy, general remuneration trends across the Group, and the broader context of Executive Director total remuneration package, the Committee agreed salary increases for each of the CEO and CFO of 5.2%, which was below the average increase in basic pay awarded across the wider Group.

Name	Role	Base salary 2023	Base salary 2022
Christopher Lee	CEO	300,000	285,000
Claire Thomson	CFO	221,000	210,000

2023 Annual Bonus Plan Awards

The annual bonus plan for 2023 will operate in a similar way to 2021 and 2022. However, performance targets will be based on operating profit rather than EBITDA to reflect the impact on the Group of the significant increase in investment in technology product development during 2022, and that the Committee considers operating profit to be the most relevant key performance indicator for bonus purposes for 2023.

Long Term Incentive Plan for 2023

LTIP awards are planned for March 2023 and will operate as set out in the policy table above. Awards will be subject to three-year performance conditions and a two year holding period for vested awards.

Non-executive Directors

Each Non-executive Director was re-appointed for a second three-year term with effect from 28 November 2022. Non-executive Director remuneration is a matter for the Chair of the Board and Executive Directors, and no Non-executive Director was involved in the decision as to their own remuneration. As Non-executive Director fees had remained static for three years since initial appointment (save for the 40% reduction for six months implemented during 2020 in response to the COVID-19 pandemic), it was agreed that Non-executive Director fees would increase with effect from 1 January 2023 to align with the financial period.

Name	Role	Committee Chair	Annual Fee 2023	Annual Fee 2022
Richard Law	Chair of the Group Board	Nomination	£110,000	£100,000
Yvonne Monaghan	Non-executive Director	Audit	£50,000	£45,000
Stuart Warriner	Non-executive Director	Remuneration	£50,000	£45,000

Directors' report
For the year ended 31 December 2022

The Directors present their report together with the audited Group Financial Statements of The Pebble Group plc (the "Company") for the year ended 31 December 2022.

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

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

Business review and future developments
A review of the performance of the Company during the year, including principal risks and uncertainties, key performance indicators and comments on likely future developments in its businesses is given in the Strategic Report on pages 2-55.

Results and dividends
The Group recorded revenue in the year of £134.0m (FY 21: £115.1m) and profit after tax of £7.6m (FY 21: £7.3m). No interim dividend has been paid in the year (FY 21: £nil).

The Board has considered its position on dividend payments and concluded that the Group has reached an appropriate point to begin to implement a progressive dividend policy. In doing so, it is planned that the Group will move, in the medium-term, towards its stated position at IPO of making dividend payments of c.30% of profit after tax. As such, the Group Board is proposing the payment of a final dividend of 0.6 pence per share for FY 22, a distribution totalling £1m, payable on 2 June 2023, subject to shareholder approval, to those Shareholders on the register of members on 28 April 2023. The shares will trade exdividend on 27 April 2023.

Financial risk management
Information relating to the principal risks and uncertainties of the Group has been included within the Strategic Report on pages 51-55. Further information relating to the financial risk of the Group has been included within note 22, financial risk management.

Going concern
In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for the two years ending 31 December 2024. Following careful consideration of the base case forecasts and the application of severe but plausible downside scenarios to these forecasts, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate within the level of its current facilities for a period of at least 12 months from the date of this Report. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the Group and Company financial statements.

The Group refinanced it's £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.

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

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

Richard Law

Christopher Lee

Claire Thomson

Yvonne Monaghan

Stuart Warriner

In accordance with the Articles of Association, a third of the Group Board are required to stand for re-election at the forthcoming AGM and any Director who has not been re-elected at one of the two previous AGMs is to be proposed for re-election. However, to align best practice, the Group Board has again decided that all Directors would retire and seek re-election by the Company's shareholders at the 2023 AGM. The Directors confirm that having conducted a performance evaluation, each Director continues to contribute and demonstrate commitment to their role.

The Directors who held office during the year and as at 31 December 2022 had the interests in the Ordinary Shares of the Company as shown in the table on page 88.

In addition to the interest in Ordinary Shares shown in the table on page 88, the Group operates a Long Term Incentive Plan (LTIP) for senior executives, under which awards may be granted over shares in the Company. The maximum number of Ordinary Shares which could be issued to Directors in the future under LTIP awards as at 31 December 2022 is shown below:

Name of Director	Number
Christopher Lee	699,411
Claire Thomson	516,988

The Group also operates a Group Sharesave Plan (SAYE) for all employees which Executive Directors may elect to participate in. The maximum number of Ordinary Shares which could be issued to Directors in the future under SAYE awards as at 31 December 2022 is shown below:

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

The market price of the Company's shares at the end of the financial year was 90p (31 December 2021: 132.50p) and the range of market prices during the year ended 31 December 2022 was between 78p and 132.50p.

Further details on related party transactions with Directors are provided in note 24 of the Group financial statements.

Directors' insurance

The Company maintains Directors' and Officers' liability insurance for the Directors, which was in force during the full year 2022 and remains in force as at the date of this report.

Significant shareholdings

As at 20 March 2023, the Company has been advised, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority of the following notifiable interests in 3% or more of its voting rights:

Name of Shareholder	Number	Percentage
Liontrust Asset Management	34,485,780	20.6%
BlackRock	23,306,162	13.9%
Fidelity International	13,685,217	8.2%
Amati Global Investors	10,712,614	6.4%
River and Mercantile Asset Management	9,877,980	5.9%
Aegon Asset Management UK	6,764,504	4.0%
Chelverton Asset Management	6,750,000	4.0%
Janus Henderson Investors	6,307,605	3.8%
Otus Capital Management	6,252,187	3.7%
Christopher Lee	6,091,515	3.6%
Jupiter Asset Management	5,519,800	3.3%
Columbia Threadneedle	5,165,658	3.1%

Employee Engagement Statement

How the Group Board engages with the Group's teams as a key stakeholder, and has regard to their interests in decision-making can be found within the Strategic Report on pages 22-25 and in the 'engagement with the business and teams' section on page 58. Those sections are incorporated by reference and form part of this Directors' Report.

The activity outlined includes ensuring that arrangements are in place aimed at providing employees systematically with information on matters of concern to them and consulting them or their representatives regularly. so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged by the Group Board, as common goals and awareness of the Group's strategy play a major role in delivering its medium to long-term strategic objectives. Awards under the Group's Long Term Incentive Plan (LTIP) were made on 29 March 2022 in which 65 senior staff across the Group participated. The Executive Directors hosted virtual meetings with each senior team involved across the Group to update on LTIP progress and take questions directly, aimed at achieving a common awareness on the part of employees of the financial and economic factors affecting the performance of the Group.

The Group recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to such persons, including any employee who becomes disabled, having regard to their particular aptitudes and abilities. Where practicable, disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion. For further information on the Group's DEI policy please see page 36.

Statement on Engagement with other Stakeholders

Investing in and developing our stakeholder relationships is central to our Group values. The Group Board believes the success of its strategy depends on the Group's ability to foster effective business relationships with all of our stakeholders. Their interests are important to the Group Board and it is committed to ensuring that strong, positive relationships are maintained with them, built on a foundation of mutual respect, trust and understanding. The Directors have had regard to the need to foster the Group's business relationships with suppliers and customers and others. Further information on this engagement can be found within our Strategic Report on pages 18-22, in the 'engagement with the business and teams' section on page 58 and also in our Section 172(1) statement on pages 22-25 where we provide details of stakeholder engagement and the impact of that on the Group Board's decision making. Those sections are incorporated by reference and form part of this Directors' Report.

Political donations

It is the Company's policy not to make political donations.

The Directors confirm that no donations for political purposes were made during the year (2021: nil).

Share capital and voting

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

Directors' report
For the year ended 31 December 2022

As at 31 December 2022, the Company's issued share capital comprised: 167,450,893 Ordinary Shares of 1 pence.

Shareholders' Authority for the Purchase by the Company of its own Shares
At the 2022 AGM, Shareholders authorised the Company to make market purchases of up to a maximum number of Ordinary Shares of 16,745,000, which represented approximately 10% of the Company's issued Ordinary share capital on the latest practicable date prior to publication of the 2022 Notice of Annual General Meeting. The minimum price allowed for such purchases is nominal value and the maximum is 5% above the average of the middle market quotations for such shares for the five business days immediately preceding the day of purchase. The Directors intend to seek renewal of this authority, which is due to expire at the conclusion of the 2023 AGM. Further details are given in the 2023 Notice of Annual General Meeting.

Appointment and replacement of Directors and changes to constitution
Rules governing the appointment and replacement of Directors and those relating to the amendments of the Company's Articles of Association are contained within the Articles of Association. The Articles of Association are available on the Company's website.

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

Corporate governance
The Company adheres to the Corporate Governance Code for Small and Mid-Size Quoted Companies 2018 published by the Quoted Companies Alliance (the 'QCA Code'). Our governance structure and the Group's statement on corporate governance can be found in the Corporate Governance section of this report on pages 67-73 which is incorporated by reference and forms part of this Directors' Report. It can also be found on the Company's website.

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

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

Greenhouse Gas emissions and energy use
Under the Companies (Directors' Report) and Limited Liabilities Partnerships (Energy & Carbon Report) Regulations 2019, we are mandated to disclose our UK energy use and associated greenhouse gas (GHG) emissions. Specifically, and as a minimum, we are required to report those GHG emissions relating to natural gas, electricity, and transport fuel as well as an intensity ratio, under the Streamlined Energy & Carbon Reporting (SECR) Regulations.

In the table on the following page we have reported the GHG emissions and energy usage for our UK based operations, for a full breakdown of our Group GHG emissions please refer to the table on page 33 of this report.

Improvements
In 2022, good progress was made in reducing our Scope 1 and Scope 2 carbon emissions in the UK and Europe. We have been successful in switching two of our energy contracts over to renewable energy. Our London office was switched to using renewable electricity in February 2022 and our Manchester site switched to a renewable gas contract, where the provider purchases 100% renewable gas matched to the amount that the site uses, backed by renewable gas guarantees of origin (RGGOs) or Biomethane certificates (BMCs). Brand Addition's German operation also moved into a new fulfilment centre in April 2022, consolidating the office and warehouse locations into a single location. Being a newly built building, all of the facility is furnished with LED lighting and by consolidating our operations we expect to see future savings of our energy usage in 2023 when the move is complete.

Methodology
Market based stationary combustion has been added to reflect the purchase of biogas in 2022 backed by RGGOs / BMCs. GHG emissions for electricity usage have been restated to include the AIB (Association of Issuing Bodies) production mix emission factors for location-based figures and residual mix emission factors for market-based emissions used by the Normative carbon reporting engine. Emissions for business travel have been calculated using the Normative carbon reporting engine.

Intensity measures

The chosen intensity measurement ratio is the total gross emissions in tonnes CO2e per £m revenue (tCO2e/£m) to allow for emissions normalisation.

UK Streamlined energy and carbon reporting data (SECR)	Unit of measure	2022	2021	Variance
Carbon emissions				
Direct (Scope 1) – Stationary combustion – Location based	tCO_2e	58	62	-6%
Direct (Scope 1) - Stationary combustion - Market based	tCO_2e	17	62	-73%
Indirect (Scope 2) - Purchased Electricity – Location based	tCO_2e	61	49	24%
Indirect (Scope 2) - Purchased Electricity – Market based	tCO_2e	81	80	1%
Other (Scope 3) - Business travel in employees own vehicles	tCO_2e	8	3	167%
Energy consumption				
Gas consumption	MWh	283	306	-8%
Electricity Consumption	MWh	274	252	9%
Energy consumption from business travel in employees own vehicles	MWh	33	14	136%
Total energy consumption	MWh	**590**	**572**	**3%**
Total emissions - Location based	tCO_2e	**127**	**114**	**11%**
Total emissions – Market based	tCO_2e	**106**	**145**	**-27%**
Intensity ratio (tCO2e per £1m of revenue) Location based	tCO_2e per £1m of revenue	**1.80**	**1.59**	**13%**
Intensity ratio (tCO2e per £1m of revenue) Market-based	tCO_2e per £1m of revenue	**1.53**	**2.01**	**-24%**

Independent auditors

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

By order of the Group Board

L Penfold

Lucy Penfold
Group General Counsel & Company Secretary
21 March 2023

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

Registered in England and Wales with company number: 12231361

Statement of Directors' responsibilities in respect of the financial statements

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

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

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

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

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Claire Thomson
CFO
21 March 2023

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

Report on the audit of the financial statements

Opinion

In our opinion:

- The Pebble Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated statement of financial position and company balance sheet as at 31 December 2022; the consolidated income statement, consolidated statement of other comprehensive income, consolidated and company statements of changes in equity and consolidated cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

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

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

Our audit approach

Overview

Audit scope

- The Group consists of two operating segments, Brand Addition and FacilisGroup, which are further split into nine reporting components of varying size, in the UK, US and other countries around the world. The Group financial statements are a consolidation of these components.
- We identified four components which required an audit of their complete financial information, being The Pebble Group plc, Brand Addition UK, Brand Addition US and FacilisGroup US.
- Two further components were also subject to audit procedures over specific balances due to their contribution to the Group; this included accruals, other debtors, property, plant and equipment, and depreciation expense in Brand Addition Germany, and intangible assets and amortisation expense in Facilisgroup Canada.
- As a result of this scoping we obtained coverage over 82% of Group revenue, 74% of Group profit before tax and 88% of Group Adjusted EBITDA.

Key audit matters

- Accuracy and existence/occurence of capitalised development costs (group)
- Risk of impairment of investments in subsidiaries and amounts owed by group undertakings (parent)

Materiality

- Overall group materiality: £451,050 (2021: £384,000) based on 2.5% of Adjusted EBITDA.
- Overall company materiality: £405,945 (2021: £345,600) based on 1% of total assets, restricted to 90% of Group financial statement materiality.
- Performance materiality: £338,287 (2021: £288,000) (group) and £304,458 (2021: £259,200) (company).

The scope of our audit

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

Key audit matters

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

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

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

Risk of impairment of investments in subsidiaries and amounts owed by group undertakings is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Accuracy and existence/occurence of capitalised development costs (group)	
Refer to Note 2k, Note 3b and Note 11 of the Notes to the Group financial statements. The Group capitalised costs of £6.3 million during the year ended 31 December 2022, of which £5.8 million relates to internally generated costs. There is a risk that capitalised development costs additions are incorrectly recognised in the closing balance sheet. This can arise where internally generated costs (such as wages and salaries) are incorrectly capitalised or inaccurately recorded.	We assessed and challenged whether the development costs capitalised met the criteria set within IAS 38 'Intangible assets'. We did not identify any material issues in our work in this area. We corroborated a sample of capitalised development costs to source documentation, and traced through hours to the taskpoint system, and determined that they had been recorded accurately and met the criteria for capitalisation. We agreed, and challenged, on a sample basis, that the proportion of internal employee costs capitalised was appropriate based upon their roles and responsibilities and contracts of employment. We evaluated the disclosures included within the financial statements relating to capitalised development costs and found them to be appropriate and complete.
Risk of impairment of investments in subsidiaries and amounts owed by group undertakings (parent)	
The company has investments in subsidiaries of £113.3m (2021: £112.3m) and amounts owed by group undertakings of £80.9m (2021: £80.6m).Given the magnitude of both of these balances we considered the risk of impairment of these assets. Management have considered both of these balances for impairment and concluded that no impairments are required.	In assessing the appropriateness of valuation of investment in subsidiaries and amounts owed by group undertakings we have performed the following procedures: We obtained a schedule of investments in subsidiaries and ensured this is reconciled to the financial statements; We compared the overall carrying value of the investments to the group's market capitalisation. As this was a trigger for impairment, we also reviewed managements discounted cash flow models prepared for the purposes of testing overall group goodwill for impairment. Based on the above procedures we concluded that there was no impairment to the carrying value of investments. We performed a reconciliation of the amounts owed by group undertakings and ensured this agrees with the counterparty; We evaluated management's assessment of the recoverability of amounts owed by group undertakings including assessing the ability of other group companies to settle the intercompany balances; and We also assessed the adequacy of the disclosure provided in the company financial statements in relation to the relevant accounting standards. We found no exceptions as a result of our procedures and consider the recoverability of amounts owed by group undertakings to be appropriate.

How we tailored the audit scope

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

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

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

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

As a result of this scoping we obtained coverage over 82% of Group revenue, 74% of Group profit before tax and 88% of Group Adjusted EBITDA.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process they have adopted to assess the extent of the potential impact of climate risk on the group's financial statements.

The Group continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined in the Strategic Report on pages 31 to 43.

The directors have reached the overall conclusion that there has been no material impact on the financial statements for the current year from the potential impact of climate change.

We used our knowledge of the group, with assistance from our internal climate experts, to challenge management's assessment. We particularly considered how climate risk would impact the assumptions made in the forecasts prepared by management used in their impairment analyses and going concern. We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or on our key audit matters for the year ended 31 December 2022.

Materiality

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

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

	Financial statements – group	Financial statements – company
Overall materiality	£451,050 (2021: £384,000).	£405,945 (2021: £345,600).
How we determined it	2.5% of Adjusted EBITDA	1% of total assets, restricted to 90% of Group financial statement materiality
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, Adjusted EBITDA is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	The Company is a non-trading holding Company. The entity's assets relate solely to their ownership of the subsidiary trading companies and thus reflect the Company's purpose. Company materiality has been restricted to ensure it is not greater than 90% of the Group's financial statement materiality in line with PwC guidance.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £348,800 and £405,900. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £338,287 (2021: £288,000) for the group financial statements and £304,458 (2021: £259,200) for the company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £22,552 (group audit) (2021: £19,200) and £20,297 (company audit) (2021: £17,280) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- obtaining management's forecasts and information for the period to December 2024;
- evaluating and assessing the process by which the Group's future cash flow forecasts were prepared;

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

- agreeing the opening position of the Group's cash flow forecasts to the 2022 audited financial statements;
- reviewing the arithmetical accuracy of management's forecasts;
- assessing and challenging management's key assumptions in the going concern model, including the forecast sales, margins, capital expenditure and other costs assumptions over the period to December 2024;
- evaluating the appropriateness of the severe but plausible cash flow forecast used in management's determination of the going concern basis of preparation, which included an assessment and sensitivity analysis of the key assumptions underpinning the cash flows throughout the going concern period;
- obtaining the terms of the Group's financing facility and the covenants in place in relation to this facility, and determining that the Group's base case and severe but plausible forecasts show compliance with all covenant conditions for at least 12 months from the date of the approval of financial statements;
- gaining an understanding of the potential mitigating actions that the Directors could implement to meet the requirements of the covenants; and
- reviewing management's disclosures in the financial statements. We are satisfied that they are consistent with the assessment performed. We also read the disclosures made in the other information and did not identify any inconsistencies with the financial statements.

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Studholme

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

Manchester
21 March 2023

Consolidated income statement
For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	4	**134,025**	115,101
Cost of goods sold	5	**(81,279)**	(73,128)
Gross profit		**52,746**	41,973
Operating expenses	5	**(42,523)**	(32,107)
Operating profit		**10,223**	9,866
Analysed as:			
Adjusted EBITDA[1]		**18,042**	15,378
Depreciation	12	**(2,384)**	(1,986)
Amortisation	11	**(4,182)**	(2,811)
Share-based payment charge	23	**(1,253)**	(715)
Total operating profit		**10,223**	9,866
Finance expense	7	**(520)**	(549)
Profit before taxation		**9,703**	9,317
Income tax expense	9	**(2,090)**	(1,970)
Profit for the year		**7,613**	7,347
Basic earnings per share	10	**4.55p**	4.39p
Diluted earnings per share	10	**4.54p**	4.38p

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 2022

	2022 £'000	2021 £'000
Items that may be subsequently reclassified to profit and loss		
Foreign operations – foreign currency translation differences	**2,190**	277
Other comprehensive income for the year	**2,190**	277
Profit for the year	**7,613**	7,347
Total comprehensive income for the year	**9,803**	7,624

Consolidated statement of financial position
As at 31 December 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Intangible assets	11	**60,002**	55,674
Property, plant and equipment	12	**9,492**	7,927
Deferred tax asset	13	**292**	300
Total non-current assets		**69,786**	63,901
Current assets			
Inventories	14	**15,447**	10,093
Trade and other receivables	15	**34,693**	29,422
Cash and cash equivalents	16	**15,058**	12,051
Total current assets		**65,198**	51,566
TOTAL ASSETS		**134,984**	115,467
LIABILITIES			
Non-current liabilities			
Lease liability	17, 19	**7,490**	6,388
Deferred tax liability	13	**2,860**	3,035
Total non-current liabilities		**10,350**	9,423
Current liabilities			
Lease liability	18, 19	**1,569**	1,384
Trade and other payables	18	**36,413**	30,065
Current tax liability	18	**1,063**	20
Total current liabilities		**39,045**	31,469
TOTAL LIABILITIES		**49,395**	40,892
NET ASSETS		**85,589**	74,575
Equity and reserves			
Share capital	20	**1,675**	1,675
Share premium	20	**78,451**	78,451
Capital reserve		**125**	125
Merger reserve		**(103,581)**	(103,581)
Translation reserve		**863**	(1,327)
Share-based payments reserve		**1,892**	681
Retained earnings		**106,164**	98,551
TOTAL EQUITY		**85,589**	74,575

The notes on pages 105 to 131 are an integral part of these financial statements.

The financial statements on pages 100 to 131 were approved by the Board of Directors and authorised for issue on 21 March 2023, and were signed on its behalf by:

C Thomson
Director
21 March 2023

Consolidated statement of changes in equity
For the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Capital reserve £'000	Merger reserve £'000	Translation reserve £'000	Share-based payments reserve £'000	Retained earnings £'000	**Total equity £'000**
At 1 January 2021	1,800	78,451	–	(103,581)	(1,604)	13	91,204	66,283
Profit for the year	–	–	–	–	–	–	7,347	7,347
Other comprehensive income for the year	–	–	–	–	277	–	–	277
Total comprehensive income	–	–	–	–	277	–	7,347	7,624
Purchase of deferred shares	(125)	–	125	–	–	–	–	–
Employee share schemes – value of employee services (note 23)	–	–	–	–	–	601	–	601
Deferred tax on employee share schemes	–	–	–	–	–	67	–	67
Total transactions with owners recognised in equity	(125)	–	125	–	–	668	–	668
At 31 December 2021	1,675	78,451	125	(103,581)	(1,327)	681	98,551	74,575
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 23)	–	–	–	–	–	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**

The notes on pages 105 to 131 are an integral part of these financial statements.

Consolidated cash flow statement
For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Operating profit		**10,223**	9,866
Adjustments for:			
– Depreciation	12	**2,384**	1,986
– Amortisation	11	**4,182**	2,811
– Share-based payment charge	23	**1,253**	715
– Loss/(profit) on disposal of fixed assets		**19**	(13)
Cash flows from operating activities before changes in working capital		**18,061**	15,365
– Change in inventories	14	**(5,354)**	2,016
– Change in trade and other receivables	15	**(5,271)**	(8,433)
– Change in trade and other payables	18	**7,263**	3,556
Cash flows from operating activities		**14,699**	12,504
– Income taxes paid		**(1,712)**	(521)
Net cash flows from operating activities		**12,987**	11,983
Cash flows from investing activities			
– Purchase of property, plant and equipment	12	**(945)**	(680)
– Purchase of intangible assets	11	**(7,434)**	(4,602)
Net cash flows used in investing activities		**(8,379)**	(5,282)
Cash flows from financing activities			
– Lease payments		**(1,737)**	(1,360)
– Interest paid	7	**(520)**	(549)
Net cash flows used in financing activities		**(2,257)**	(1,909)
NET CASH FLOWS		**2,351**	4,792
Cash and cash equivalents at beginning of year	16	**12,051**	7,066
Effect of exchange rate fluctuations on cash held		**656**	193
Cash and cash equivalents at end of year	16	**15,058**	12,051

The notes on pages 105 to 131 are an integral part of these financial statements.

Notes to the Group financial statements

1. General information

The principal activity of The Pebble Group plc (the "Company") is that of a holding company and the principal activity of the Company and its subsidiaries (the "Group") is the sale of 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 2024.

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

(c) Forward-looking statements

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

(d) New standards, amendments and interpretations

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2022:

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient; and
- Narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

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 2022 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.

Notes to the Group financial statements
(continued)

2. Accounting policies (continued)

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

(f) Revenue

Revenue arises from the provision of services through 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 on the statement of financial position. A small number of customers are invoiced in advance and these amounts are deferred and presented within contract liabilities.

(g) Supplier rebates

In the Brand Addition segment, amounts due under rebate agreements are recognised based upon volumes of products purchased during the period to which the rebates relate at the relevant rebate rates, per supplier agreements. Amounts are credited to the cost of purchase of goods for resale and any accrued income is included in other receivables.

(h) EBITDA and Adjusted EBITDA

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

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

(i) Taxation

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

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

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

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

2. Accounting policies (continued)

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

(j) Finance costs

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

(k) Intangible assets

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

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

All intangible assets are denominated in the functional currency of the relevant subsidiary company and retranslated into Sterling at each period end date. Exchange differences are dealt with through the Consolidated statement of other comprehensive income. Intangible assets are presented in note 11.

Customer relationships

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

Development costs

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

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

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

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

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

Computer software

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

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

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

(l) Impairment losses

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

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.

Notes to the Group financial statements
(continued)

2. Accounting policies (continued)

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.

(m) Financial instruments

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

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

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

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

Financial assets

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

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

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

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

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

Financial liabilities

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

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

Financial derivatives

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

2. Accounting policies (continued)

(n) Foreign currencies

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

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

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

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

(o) Tangible assets and depreciation

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

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;
- Computer hardware – 5 years.

(p) Cash and cash equivalents

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

(q) Inventories

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

(r) Leases

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

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

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

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

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

The Group presents right-of-use assets within property, plant and equipment in note 12.

Short-term leases and low value assets

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

(s) Segmental reporting

The Group reports its business activities in two areas being:

- Brand Addition - sale of promotional product through services provided under framework contracts on an international basis; and
- Facilisgroup - provision of 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.

Notes to the Group financial statements
(continued)

2. Accounting policies (continued)

(t) 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 accruals within trade and other payables in the statement of financial position. The assets of the plans are held separately from the Group in independently administered funds.

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

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

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

(u) Government grants
In preparing the financial statements, IAS 20, 'Accounting for Government Grants and Disclosure of Government Assistance' has been applied such that grants have been recognised in profit or loss on a systematic basis over the periods in which we have recognised the expense for the related costs for which the grants are intended to compensate. In Germany, a benefit of £0.02m has been received and credited to the income statement in 2022 (2021: £0.5m). This relates to Bridging Assistance for companies that have suffered a decline in revenue as a result of the pandemic. There are no unfulfilled conditions or other contingencies attached to this grant.

(v) Equity, reserves and dividend payments

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

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

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

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

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

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 (2021: £nil). The Directors recommend the payment of a final dividend for 2022 of £1.0m (2021: £nil).

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

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

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

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 11. A 1% increase in the Weighted Average Cost of Capital ("WACC") would reduce the value in use by £25.7m.

Goodwill relates to the various acquisitions made and amounts to £36,139,000 as at 31 December 2022 (2021: £35,805,000). The estimates used in the impairment calculation are set out in note 11. There is no significant risk of material adjustment to the carrying amount of the goodwill within the next twelve months. The sensitivities applied are explained in note 11.

Useful economic lives of intangible assets

The Directors have estimated the useful economic lives of the acquired customer intangible assets to be 20 years based upon attrition rates and the Directors' judgement. These lives are reviewed and updated annually. There is no significant risk of material adjustment to the carrying amount of the intangible assets within the next twelve months. 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 twelve 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 23. 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. 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 11.

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 page.

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

Major customers

In 2022 there were no major customers that individually accounted for at least 10% of total revenues (2021: two customers). In 2021, the revenues relating to these customers were £33,215,000 and both related to the Brand Addition segment.

Notes to the Group financial statements
(continued)

4. Segmental analysis (continued)

Analysis of revenue by geographical destination

	2022 £'000	2021 £'000
United Kingdom	**22,570**	26,961
Continental Europe	**47,236**	38,914
US	**43,189**	31,675
Rest of World	**21,030**	17,551
Total revenue	**134,025**	115,101

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

Included within Rest of World is £14,247,000 of revenue from China (2021: £11,638,000).

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

	2022 £'000	2021 £'000
At a point in time	**118,507**	102,916
Over time	**15,518**	12,185
Total revenue	**134,025**	115,101

All non-current assets of the Group reside in the UK, with the exception of non-current assets with a net book value of £31,250,000 (2021: £27,111,000) which were located in North America and £2,451,000 (2021: £711,000) located in other foreign countries.

Income statement for the year ended 31 December 2022

	Brand Addition £'000	Facilisgroup £'000	Central operations £'000	2022 £'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**

4. Segmental analysis (continued)

Statement of financial position as at 31 December 2022

	Brand Addition £'000	Facilisgroup £'000	Central operations £'000	2022 £'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**

Notes to the Group financial statements
(continued)

4. Segmental analysis (continued)

Income statement for the year ended 31 December 2021

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

4. Segmental analysis (continued)

Statement of financial position as at 31 December 2021

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

Notes to the Group financial statements
(continued)

5. Expenses by nature

	2022 £'000	2021 £'000
Inventory recognised as an expense	71,649	60,881
Other cost of sales	9,630	12,247
Total cost of sales	**81,279**	73,128
Staff costs (note 6)	25,769	20,239
Depreciation of property, plant and equipment (note 12)	2,384	1,986
Amortisation of intangible assets (note 11)	4,182	2,811
Auditors' remuneration (note 8)	310	211
Share-based payment charge (note 23)	1,253	715
Foreign exchange loss and movement in foreign exchange derivative contracts	65	4
Increase in provision for expected credit losses	34	13
Other external charges	8,526	6,128
Total operating expenses	**42,523**	32,107
Total cost of sales and operating expenses	**123,802**	105,235

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

Other external charges include a credit of £24,000 (2021: £500,000) from the use of Government schemes.

6. Staff costs

Personnel costs are analysed below:

	2022 £'000	2021 £'000
Staff costs (including Directors) consist of:		
Wages and salaries	22,423	17,676
Social security costs	2,666	2,001
Other pension costs	680	562
Total staff costs	**25,769**	20,239

Additional staff costs of £5,797,000 (2021: £3,667,000) have been capitalised as intangible assets (see note 11).

	2022 £'000	2021 £'000
Wages and salaries	5,749	3,615
Social security costs	31	32
Other pension costs	17	20
Total staff costs	**5,797**	3,667

Defined contribution scheme

The amount recognised in the income statement as an expense in relation to the Group's defined contribution schemes is £680,000 (2021: £562,000). Included within accruals and other creditors is £81,000 (2021: £23,000) for outstanding contributions to the defined contribution schemes.

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

	2022 No.	2021 No.
By function:		
Management	**17**	17
Sales and distribution	**287**	226
Administration	**252**	218
Total employees	**556**	461

Key management compensation

Key management of the Group is considered to be the Board of Directors. Details of Directors' remuneration is disclosed in the Report of the Remuneration Committee on page 86. Remuneration paid to these individuals on an aggregated basis is as follows:

	2022 £'000	2021 £'000
Salaries including bonuses and social security costs	**943**	860
Short term benefits	**27**	26
Total remuneration	**970**	886

7. Finance expense

An analysis is set out below:

	2022 £'000	2021 £'000
Other interest	**146**	168
Unwind of discount finance costs on lease liabilities	**374**	381
Total finance expense	**520**	549

8. Auditors' remuneration

	2022 £'000	2021 £'000
Fees payable to the Company's auditors for the audit of The Pebble Group plc	**105**	75
Fees payable to the Company's auditors in respect of:		
Audit of the Company's subsidiaries	**205**	136
Total auditors' remuneration	**310**	211

Notes to the Group financial statements
(continued)

9. Income tax expense

	2022 £'000	2021 £'000
Current income tax		
– UK corporation tax charge for the year	901	217
– Adjustments in respect of prior years	(159)	(40)
– Foreign tax	1,822	1,173
Total current income tax	2,564	1,350
Deferred tax		
– Deferred tax	(426)	755
– Adjustments in respect of prior years	(48)	(173)
– Impact of rate change	–	38
Total deferred tax	(474)	620
Total income tax expense	2,090	1,970

The expected corporation tax charge for the year is calculated at the UK corporation tax rate of 19% (2021: 19%) on the profit before tax 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	2022 £'000	2021 £'000
Reconciliation of total tax charge:		
Profit before taxes	9,703	9,317
Profit before taxes multiplied by the rate of corporation tax in the UK of 19% (2021: 19%)	1,844	1,770
Effects of:		
Adjustments in respect of prior years	(207)	(213)
Impact of difference in current and deferred tax rates in the UK	13	38
Non-deductible expenses/(income)	32	(24)
Differences in tax rates in overseas jurisdictions	286	382
Unrecognised for deferred tax	122	32
Utilisation of unrecognised deferred tax brought forward	–	(15)
Total income tax expense	2,090	1,970

Factors that may affect future tax charges

An increase in the UK corporation tax rate from the current rate of 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 credited to equity:

	2022 £'000	2021 £'000
Deferred tax: credit relating to employee share schemes – value of employee services	15	67

10. Earnings per share

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

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary Shares. The Company has potentially dilutive Ordinary Shares arising from share options granted to employees. Options are dilutive under the Group Sharesave Plan (SAYE), where the exercise price together with the future IFRS 2 charge of the option is less than the average market price of the Company's Ordinary Shares during the year. Options under the LTIP schemes, as defined by IFRS 2, are contingently issuable shares and are therefore only included within the calculation of diluted EPS if the performance conditions, as set out in note 23, are satisfied at the end of the reporting period, irrespective of whether this is the end of the vesting period or not.

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

The impact of the potentially dilutive share options issued under The Pebble Group Plc Long Term Incentive Plan on 21 December 2020, 8 June 2021, and 30 March 2022 and Group Sharesave Plan (SAYE) on 6 October 2021 as detailed in note 23 is 0.01p for the year ended 31 December 2022 (2021: 0.01p).

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

Statutory EPS

	2022	2021
Earnings (£'000)		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	**7,613**	7,347
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	**167,450,893**	167,450,893
Weighted average dilutive effects of conditional share awards	**185,624**	353,605
Weighted average number of shares for the purposes of diluted earnings per share	**167,636,517**	167,804,498
Earnings per Ordinary Share (pence)		
Basic earnings per Ordinary Share (pence)	**4.55**	4.39
Diluted earnings per Ordinary Share (pence)	**4.54**	4.38

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 on the following page. 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.

	2022	2021
Earnings (£'000)		
Earnings for the purposes of basic and diluted earnings per share being adjusted earnings	**9,675**	8,599
Number of shares		
Weighted average number of shares for the purposes of adjusted earnings per share	**167,450,893**	167,450,893
Weighted average dilutive effects of conditional share awards	**185,624**	353,605
Weighted average number of shares for the purposes of diluted earnings per share	**167,636,517**	167,804,498
Adjusted earnings per Ordinary Share (pence)		
Basic adjusted earnings per Ordinary Share (pence)	**5.78**	5.14
Diluted adjusted earnings per Ordinary Share (pence)	**5.77**	5.12

Notes to the Group financial statements

(continued)

10. Earnings per share (continued)

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

	2022 £'000	2021 £'000
Profit for the year attributable to equity shareholders	**7,613**	7,347
Add back/(deduct):		
Amortisation charge on acquired intangible assets	**1,420**	894
Share-based payment charge	**1,253**	715
Tax effect of the above	**(611)**	(357)
Adjusted earnings	**9,675**	8,599

11. Intangible assets

	Goodwill £'000	Customer relationships £'000	Software and development costs £'000	Work in progress £'000	Total £'000
Cost					
Balance at 1 January 2021	35,802	10,144	17,130	222	63,298
Impact of foreign exchange translation	3	97	100	–	200
Additions	–	–	3,553	739	4,292
Reclassifications	–	–	538	(538)	–
Balance at 31 December 2021	35,805	10,241	21,321	423	67,790
Impact of 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**
Accumulated amortisation					
Balance at 1 January 2021	–	1,157	8,124	–	9,281
Impact of foreign exchange translation	–	(13)	37	–	24
Charge for year	–	503	2,308	–	2,811
Balance at 31 December 2021	–	1,647	10,469	–	12,116
Impact of foreign exchange translation	–	171	878	–	1,049
Charge for year	–	554	3,628	–	4,182
Disposals	–	–	(926)	–	(926)
Balance at 31 December 2022	**–**	**2,372**	**14,049**	**–**	**16,421**
Net book value					
At 31 December 2020	35,802	8,987	9,006	222	54,017
At 31 December 2021	35,805	8,594	10,852	423	55,674
At 31 December 2022	**36,139**	**8,950**	**10,828**	**4,085**	**60,002**

Staff costs of £5,797,000 (2021: £3,667,000) have been capitalised as intangible assets.

The remaining amortisation periods for customer relationships are between 14 and 16 years (2021: 15 and 17 years) and for software and development costs are between 1 and 5 years.

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

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 2023 to 2027 were used. For Brand Addition, these were based on a forecast for 2023 with growth rates of 6% applied to EBITDA each year. For Facilis, these were based on forecasts for 2023 to 2026, with 10% growth rates applied to EBITDA in 2027. Subsequent years were based on a reduced rate of growth of 2.0% (2021: 2.0%) into perpetuity. Appropriate adjustments were also made for changes in working capital and other cash flows to both CGUs.

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

The Directors used an estimated market weighted average cost of capital ("WACC") of 12.4% for Brand Addition and 13.6% for Facilisgroup (2021: 8.9% for Brand Addition and 9.3% 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 significant headroom and therefore do not give rise to impairment concerns.

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

Goodwill is attributable to the following segments:

	2022 £'000	2021 £'000
Brand Addition	**33,057**	33,057
Facilisgroup	**3,082**	2,748
	36,139	35,805

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

	2022 £'000	2021 £'000
Brand Addition	**102,824**	171,111
Facilisgroup	**123,798**	215,961
	226,622	387,072

Management considers that no reasonably possible changes would reduce either CGU's headroom to £nil and the reduction from prior year is driven by the increase in WACC.

Notes to the Group financial statements
(continued)

12. Property, plant and equipment

	Fixtures and fittings £'000	Computer hardware £'000	Right-of-use assets £'000	Total £'000
Cost				
Balance at 1 January 2021	3,713	2,708	12,795	19,216
Impact of foreign exchange translation	19	(2)	45	62
Additions	160	520	461	1,141
Disposals	–	–	(517)	(517)
Balance at 31 December 2021	3,892	3,226	12,784	19,902
Impact of 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**
Accumulated depreciation				
Balance at 1 January 2021	2,935	1,977	5,202	10,114
Impact of foreign exchange translation	16	10	20	46
Charge for the year	182	336	1,468	1,986
Disposals	–	–	(171)	(171)
Balance at 31 December 2021	3,133	2,323	6,519	11,975
Impact of 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**
Net book value				
Balance at 31 December 2020	778	731	7,593	9,102
Balance at 31 December 2021	759	903	6,265	7,927
Balance at 31 December 2022	**915**	**1,099**	**7,478**	**9,492**

Right-of-use assets – net book value

	2022 £'000	2021 £'000
Leasehold property	**7,362**	6,069
Fixtures and fittings	**87**	140
Computer hardware	**29**	56
Total Right-of-use assets – net book value	**7,478**	6,265

13. Deferred tax assets and liabilities

Deferred tax assets and liabilities are analysed as follows:

	Accelerated depreciation £'000	Intangible fixed assets £'000	Share options £'000	Short-term timing differences £'000	Transitional relief on IFRS 16 adoption £'000	Losses and unused tax relief £'000	Total £'000
Balance at 1 January 2021	(963)	(1,659)	3	8	–	467	(2,144)
Tax charge in respect of prior year	(575)	92	150	7	173	(467)	(620)
Tax credit directly credited to equity	–	–	67	–	–	–	67
Foreign exchange translation	(18)	(20)	–	–	–	–	(38)
Balance at 31 December 2021	(1,556)	(1,587)	220	15	173	–	(2,735)
Tax credit/(charge) in respect of current year	(13)	102	160	–	(34)	259	474
Tax credit directly credited to equity	–	–	15	–	–	–	15
Foreign exchange translation	(127)	(195)	–	–	–	–	(322)
Balance at 31 December 2022	**(1,696)**	**(1,680)**	**395**	**15**	**139**	**259**	**(2,568)**

The above are disclosed in the statement of the financial position as a deferred tax asset of £292,000 and a deferred tax liabilities of £(2,860,000) resulting in a net deferred tax position of £(2,568,000) as analysed above.

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

Of the deferred tax balances at year end, £34,000 (2021: £41,000) of the deferred tax asset and £508,000 (2021: £660,000) of the deferred tax liability are expected to be utilised within one year.

There are unrecognised deferred tax assets relating to capital losses of £9,900,000 (2021: £9,900,000) and in respect of trading losses of £657,000 (2021: £535,000). The Directors have assessed at this time that there will not be sufficient taxable profits available in future periods, for the companies in the Group in which these losses reside, in order to utilise these losses.

14. Inventories

	2022 £'000	2021 £'000
Finished goods for resale	**15,447**	10,093
Total closing inventories	**15,447**	10,093

Stocks are stated after provisions for impairment of £292,000 (2021: £209,000).

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

Notes to the Group financial statements
(continued)

15. Trade and other receivables

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade receivables not past due	**24,440**	20,241
Trade receivables past due	**5,901**	4,030
Provision for trade receivables	**(73)**	(57)
Trade receivables net	**30,268**	24,214
Other debtors	**2,002**	1,342
FX derivative	**–**	266
Prepayments	**2,423**	3,600
	34,693	29,422

We have identified £780,000 included in contract assets in 2021 that should have been classified as trade receivables not past due and so have amended the above note by £780,000 to reclassify those balances between contract assets and trade receivables not past due. The overall trade and other receivables balance has not changed.

Other debtors include amounts relating to other taxes and social security and supplier rebates.

Currency analysis

	2022 £'000	2021 £'000
Sterling	**8,054**	4,922
Euro	**10,419**	10,579
US Dollar	**12,234**	11,007
Chinese Renminbi	**2,800**	2,079
Other	**1,186**	835
Total trade and other receivables	**34,693**	29,422

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

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

			2022			2021
	Gross £'000	Provision £'000	Net £'000	Gross £'000	Provision £'000	Net £'000
Trade and other receivables:						
– Not yet due	**26,442**	**–**	**26,442**	21,583	–	21,583
– Up to 3 months overdue	**4,057**	**–**	**4,057**	3,092	–	3,092
– 3 to 6 months past due	**1,722**	**–**	**1,722**	700	–	700
– Over 6 months past due	**122**	**(73)**	**49**	238	(57)	181
	32,343	**(73)**	**32,270**	25,613	(57)	25,556

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

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

16. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash and cash equivalents	**15,058**	12,051

Currency analysis

	2022 £'000	2021 £'000
Sterling	**3,060**	1,293
Euro	**5,045**	5,030
US Dollar	**4,976**	4,310
Other	**1,977**	1,418
	15,058	12,051

17. Non-current liabilities

	2022 £'000	2021 £'000
IFRS 16 lease liability (note 19)	**7,490**	6,388

Currency analysis

	2022 £'000	2021 £'000
Sterling	**1,855**	2,167
Euro	**1,632**	102
US Dollar	**3,923**	3,911
Chinese Renminbi	**49**	119
Other	**31**	89
	7,490	6,388

18. Current liabilities

	2022 £'000	2021 £'000
IFRS 16 lease liability (note 19)	**1,569**	1,384
Lease liabilities	**1,569**	1,384
Corporation tax	**1,063**	20
Current tax liabilities	**1,063**	20
Trade payables	**22,342**	14,955
Other taxation and social security	**475**	989
Other payables	**765**	533
FX derivative	**196**	–
Accruals	**6,621**	6,934
Contract liabilities	**6,014**	5,682
Deferred consideration	**–**	972
Trade and other payables	**36,413**	30,065
Total current liabilities	**39,045**	31,469

Revenues totalling £4,460,000 were recognised in the year ended 31 December 2022 that were included in the contract liabilities balance as at 31 December 2021 (£2,920,000 recognised in the year ended 31 December 2021 that were included in the contract liabilities balance as at 31 December 2020).

Deferred consideration in 2021 relates to the final payment for the software asset and license acquisition from a US-based developer in December 2020.

Notes to the Group financial statements
(continued)

18. Current liabilities (continued)

Currency analysis

	2022 £'000	2021 £'000
Sterling	**16,330**	9,836
Euro	**8,903**	11,285
US Dollar	**11,694**	8,600
Chinese Renminbi	**1,510**	1,135
Other	**608**	613
Total current liabilities	**39,045**	31,469

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

19. Leases

Amounts recognised in the Consolidated statement of financial position

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

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

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

Lease liabilities	2022 £'000	2021 £'000
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	**1,897**	1,716
More than one year, less than two years	**1,726**	1,440
More than two years, less than three years	**1,627**	1,273
More than three years, less than four years	**1,624**	1,200
More than four years, less than five years	**1,091**	1,202
More than five years	**2,207**	2,338
Total undiscounted lease liabilities at year end	**10,172**	9,169
Finance costs	**(1,113)**	(1,397)
Total discounted lease liabilities at year end	**9,059**	7,772
Lease liabilities included in the statement of financial position:		
Current	**1,569**	1,384
Non-current	**7,490**	6,388
	9,059	7,772

Amounts recognised in the Consolidated income statement

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

	2022 £'000	2021 £'000
Depreciation charge – fixtures and fittings	**1,655**	1,424
Depreciation charge – computer hardware	**45**	44
	1,700	1,468
Interest expense (within finance expense)	**374**	381

The above leases relate to office space, computer equipment and motor vehicles. The net book value by category is set out in note 12.

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

20. Share capital

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

	Ordinary Shares Number	Total share capital £	Share premium £
Ordinary Shares of 1p each:			
At 1 January 2022 and 31 December 2022	**167,450,893**	**1,674,509**	**78,451,312**

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

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

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

	1 January 2022 £'000	**New leases £'000**	**Lease disposals £'000**	**Cash flow £'000**	**Foreign exchange adjustments £'000**	**31 December 2022 £'000**
Cash at bank and in hand	**12,051**	**–**	**–**	**2,351**	**656**	**15,058**
Lease liabilities	**(7,772)**	**(2,471)**	**2**	**1,737**	**(555)**	**(9,059)**
Net cash	**4,279**	**(2,471)**	**2**	**4,088**	**101**	**5,999**

Notes to the Group financial statements
(continued)

22. Financial risk management and financial instruments by category

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

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

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

Market risk

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

Currency risk

The Group contracts with certain customers and suppliers in Euros and Dollars and manages this foreign currency risk using forward foreign exchange contracts. Hedge accounting is not applied. The Group's exposure to foreign currency risk at the end of the reporting period is set out in notes 15, 16, 17 and 18.

As the Group derives an amount of its earnings from overseas operations, the Group is affected by movements in exchange rates. This would affect both the statement of financial position and the income statement. For a 10% strengthening in the Sterling exchange rate, operating profit would reduce by £569,000 (2021: £513,000) and net assets would decrease by £1,225,000 (2021: £2,452,000). For a 10% weakening of the Sterling, operating profit would increase by £696,000 (2021: £627,000) and net assets would increase by £1,496,000 (2021: £2,997,000).

Interest rate risk, including cash flow interest rate risk

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

Credit risk

The Group's principal financial assets are cash, trade receivables and other debtors. The credit risk associated with cash is limited, as the counterparties have high credit ratings assigned by international credit rating agencies. The principal credit risk arises therefore from the Group's trade receivables. In order to manage credit risk; the Directors set limits for customers based on a combination of payment history and third-party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The credit losses historically incurred by the Group have been negligible as referred in note 15.

Liquidity risk

The Group seeks to manage the risk of being unable to meet its obligations as they fall due by ensuring sufficient liquidity is available and by closely managing the cash balance.

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

The Group has a cross-guarantee banking arrangement, which is a revolving credit facility of £10,000,000 The facility was refinanced in January 2023 for a three-year period to January 2026, with the option to extend for an additional year to January 2027. Interest was charged at a rate of SONIA + 1.9%. As at year end the balance on the facility was £nil. There is also an overdraft facility of 11,000,000 RMB for Brand Addition (Shanghai) Trading Co. Limited. At year end, the balance on the facility was £nil.

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

Summary of financial assets and liabilities by category

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

	2022 £'000	2021 Restated* £'000
Financial assets		
Financial assets measured at amortised cost		
Trade and other receivables	**32,270**	25,556
Cash and cash equivalents	**15,058**	12,051
	47,328	37,607
Financial assets measured at fair value through profit or loss		
FX derivative asset	**–**	266
	47,328	37,873
Financial liabilities		
Financial liabilities measured at amortised cost		
Non-current:		
Lease liability	**(7,490)**	(6,388)
Current:		
Lease liability	**(1,569)**	(1,384)
Trade and other payables	**(23,107)**	(15,488)
Accruals	**(6,621)**	(6,934)
Deferred consideration	**–**	(972)
	(38,787)	(31,166)
Financial liabilities measured at fair value through profit or loss		
FX derivative liability	**(196)**	-
	(38,983)	(31,166)
Net financial assets and liabilities	**8,345**	6,707

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

* We have identified £780,000 included in contract assets in 2021 that should have been classified as trade receivables not past due and so have amended the above note by £780,000 to reclassify those balances between contract assets and trade receivables not past due.

Capital management policies and procedures

The Group's capital management objectives are:

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

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

Capital for the reporting period relates to cash and cash equivalents as disclosed above.

The Group is subject to interest cover and net leverage financial covenants over its £10,000,000 revolving credit facility. The covenants are monitored as part of regular forecasting.

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

The gross value of foreign currency forward contracts held at the end of the reporting period was $7,700,000 and €13,785,000. The contracts mature within one to eleven months of the year end.

Notes to the Group financial statements

(continued)

23. Share-based payments

In the year ended 31 December 2022 the Group operated equity-settled share-based payment plans as described below.

The Group recognised total expenses of £1,253,000 (2021: £715,000) in respect of equity-settled share-based payment transactions in the year ended 31 December 2022.

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

Certain employees of the Company, along with other Group employees, have been granted share options on 21 December 2020, 8 June 2021, and 30 March 2022 under the LTIP.

Under the LTIP, the Group has made awards over 3,928,556 (2021: 2,208,570) conditional shares to certain Directors and employees.

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

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

Details of the maximum total number of Ordinary Shares which may be issued in future periods in respect of LTIP awards outstanding at 31 December 2022 are shown below:

	Number of shares
At 1 January 2021	1,248,060
Granted in the year	960,510
Lapsed in the year	(134,324)
At 31 December 2021	2,074,246
Granted in the year	1,719,986
Lapsed in the year	(436,702)
At 31 December 2022	**3,357,530**

The weighted average fair value of options granted under this plan during the year was £0.98 (2021: £0.90). The weighted average remaining contractual life of the share options outstanding under this plan at 31 December 2022 was 1.3 years (2021: 1.7 years).

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

	2020 award TSR condition	2020 award AEPS condition	2021 award TSR condition	2021 award AEPS condition	**2022 award TSR condition**	**2022 award AEPS condition**
Share price at grant date	105.0p	105.0p	130.0p	130.0p	**132.5p**	**132.5p**
Exercise price	£nil	£nil	£nil	£nil	**£nil**	**£nil**
Expected volatility	17.2%	–	17.5%	–	**17.9%**	**–**
Expected life	3 years	3 years	3 years	3 years	**3 years**	**3 years**
Expected dividend yield	0%	–	0%	–	**0%**	**–**
Risk-free interest rate	0.53%	–	0.53%	–	**0.53%**	**–**
Fair value per option	22.3p	110.5p	28.2p	153.0p	**29.6p**	**101.5p**

23. Share-based payments (continued)

Performance conditions		2020 award 3 years ended 30 June 2023	2021 award 3 years ended 31 December 2023	**2022 award 3 years ended 31 December 2024**
70% Cumulative adjusted EPS	Threshold (25% maximum vesting)	13.4p	15.4p	**17.6p**
Basic adjusted EPS as defined in the LTIP rules,	Mid-range (60% maximum vesting)	14.3p	16.3p	**18.8p**
excludes share-based payment charge, exceptional items and amortisation from acquired intangibles	Maximum (100% maximum vesting)	15.1p	17.3p	**19.9p**
30% Annualised TSR	Threshold (25% maximum vesting)	8.0% pa	8.0% pa	**8.0% pa**
Annualised growth in total	Mid-range (60% maximum vesting)	11.3% pa	11.3% pa	**11.3% pa**
shareholder returns	Maximum (100% maximum vesting)	15.0% pa	15.0% pa	**15.0% pa**

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

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

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

Under the SAYE, the Group made awards of 937,223 conditional shares to certain Directors and employees in 2021.

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 2022 are shown below:

	Number of shares
At 1 January 2021	-
Granted in the year	937,223
Lapsed in the year	(13,513)
At 31 December 2021	923,710
Lapsed in the year	(181,645)
At 31 December 2022	**742,065**

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 and expected price volatility of the underlying share based on the AIM Price Index over the past 3 years, and the risk-free interest rate for the term of the option as shown on the below.

	2021 award
Share price at grant date	152.5p
Exercise price	122.0p
Expected volatility	17.6%
Expected life	3 years
Expected dividend yield	0%
Risk-free interest rate	0.53%
Fair value per option	21.0p

24. Related party transactions

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

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

Company balance sheet
As at 31 December 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Investments	5	**113,276**	112,291
Current assets			
Trade and other receivables (including £81,066,000 (2021: £80,684,000) falling due after more than one year)	6	**81,122**	81,012
		81,122	81,012
Creditors: amounts falling due within one year	8	**(288)**	(324)
Net current assets		**80,834**	80,688
Total assets less current liabilities		**194,110**	192,979
Net assets		**194,110**	192,979
Capital and reserves			
Called up share capital	9	**1,675**	1,675
Share premium account		**78,451**	78,451
Capital reserve		**125**	125
Merger relief reserve		**713**	713
Share-based payment reserve	10	**1,842**	681
Retained earnings		**111,304**	111,334
Total shareholders' funds		**194,110**	192,979

The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to produce its own profit and loss account. The loss for the year dealt within the financial statements of the Company was £30,000 (2021: profit of £6,200,000).

The Company financial statements on pages 132 to 138 were approved by the Board of Directors on 21 March 2023 and were signed on its behalf by:

C Thomson
Director
21 March 2023

The notes on pages 134 to 138 form part of these Company financial statements.

Company statement of changes in equity
for the year ended 31 December 2022

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Merger relief reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2021	1,800	78,451	–	713	13	105,134	186,111
Profit for the year	–	–	–	–	–	6,200	6,200
Total comprehensive income for the year	–	–	–	–	–	6,200	6,200
Purchase of deferred shares	(125)	–	125	–	–	–	–
Employee share schemes – value of employee services (note 10)	–	–	–	–	601	–	601
Deferred tax on employee share schemes	–	–	–	–	67	–	67
Total transactions with owners, recognised in equity	(125)	–	125	–	668	–	668
Balance at 31 December 2021	1,675	78,451	125	713	681	111,334	192,979
Loss for the year	–	–	–	–	–	(30)	(30)
Total comprehensive expense for the year	–	–	–	–	–	(30)	(30)
Employee share schemes – value of employee services (note 10)	–	–	–	–	1,196	–	1,196
Deferred tax on employee share schemes	–	–	–	–	(35)	–	(35)
Total transactions with owners, recognised in equity	–	–	–	–	1,161	–	1,161
Balance at 31 December 2022	**1,675**	**78,451**	**125**	**713**	**1,842**	**111,304**	**194,110**

The notes on pages 134 to 138 form part of these Company financial statements.

Notes to the Company financial statements

1. General information

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

2. Accounting policies

(a) Reporting framework

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

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

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

(b) Financial Reporting Standard 102 – reduced disclosure exemptions

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

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

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

(c) Company profit and loss account

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's loss for the year was £30,000 (2021: profit of £6,200,000). There are no material differences between the loss in the current year and its historical cost equivalent. Accordingly, no note of historical cost profits and losses has been presented.

(d) Going concern

The Company meets its day-to-day working capital requirements through cash generated from the Group in which it holds its investment and utilising its overdraft facility to fund peak seasonal demands. The Directors have prepared cash flow forecasts and projections for the two years ending 31 December 2024 for the Group; see the going concern disclosure within the Group financial statements. Based on this, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Company financial statements.

(e) Dividend distribution

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

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 (2021: £nil). The Directors recommend the payment of a final dividend for 2022 of £1.0m (2021: £nil).

(f) Investment in subsidiary undertakings

Investments in subsidiaries are stated at cost less accumulated impairment.

(g) Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where events or transactions that result in an obligation to pay more tax in the future, or a right to pay less tax in future, have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

(h) Share-based payments

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

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

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected

2. Accounting policies (continued)

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.

(i) Share capital

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

(j) Share premium

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

(k) Capital reserve

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

(l) Merger relief reserve

The merger relief reserve was created during 2019 as a result of the share-for-share exchange under which The Pebble Group plc became the parent undertaking prior to the Initial Public Offering ("IPO"). The merger relief reserve includes the premium received on the issue of share capital in the share-for-share exchange.

(m) Retained earnings

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

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

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

(o) Financial instruments

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

Financial assets

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

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

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

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

Financial liabilities

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

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

3. Critical accounting estimates and judgements

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

Non-current asset impairment

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

The Directors performed their assessment and concluded that no impairment indicators existed at 31 December 2022 and, as such, a full impairment review over the Company's investments in subsidiaries and intercompany receivables was not performed.

Notes to the Company financial statements
(continued)

4. Remuneration of directors and auditors

Details of Directors' remuneration are shown in the Directors' Remuneration Report on page 86 of the Group financial statements. Details of auditors' remuneration are shown in note 8 of the Group financial statements. The Company has no employees (2021: none).

Emoluments of the Directors were borne by another group company in the previous year. The amount recharged to The Pebble Group plc during the financial year was £506,000 (2021: £nil). These are disclosed in full in the Group financial statements.

Highest paid director

The highest paid director's emoluments recharged to The Pebble Group plc during the financial year were as follows:

	2022 £'000	2021 £'000
Salaries including bonuses and social security costs	291	–
Short term benefits	15	–
	306	–

5. Investments

	£'000
Cost and carrying amount	
At 1 January 2021	126,106
Movement relating to share options	496
Redemption of preference shares	(14,311)
At 31 December 2021	112,291
Movement relating to share options	985
At 31 December 2022	**113,276**

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

The Company directly owns the whole of the issued Ordinary Shares of the following subsidiary undertakings:

Name	Registered address	Principal activity	Class of share	Percentage holding
The Pebble Group (Holdings) Limited	Broadway Trafford Wharf Road Manchester M17 1DD	Holding company	Ordinary	100%
Project Amber Bidco Limited		Holding company	Ordinary	100%
H.I.G Milan UK Bidco Limited		Holding company	Ordinary	100%
Brand Addition Limited		Promotional merchandise	Ordinary	100%
Product Plus International Limited		Non-trading	Ordinary	100%
Gearworks Limited		Non-trading	Ordinary	100%
Brand Addition Asia Limited	Unit 1605 16th Floor Tower 3 Enterprise Square No. 9 Sheung Yuet Road Kowloon, Hong Kong	Promotional merchandise	Ordinary	100%
Brand Addition Ireland Limited	Unit G2 Calmount Business Park Ballymount, Dublin 12	Promotional merchandise	Ordinary	100%
Brand Addition Reklam Urunleri Dagitim ve Ticaret Limited Sirketi	Buyukdere Caddesi Meydan Sokak Spring Giz Plaza Kat:13 Sisli-Istanbul, Turkey	Promotional merchandise	Ordinary	100%
Brand Addition (Shanghai) Trading Co., Limited	Unit 903-905 T2 Building, VIPARK 500 Xinlong Road Minhang District Shanghai, China	Promotional merchandise	Ordinary	100%

5. Investments (continued)

Name	Registered address	Principal activity	Class of share	Percentage holding
H.I.G. Milan Germany Bidco GmbH	Heydastrasse 13-15 58093 Hagen, Germany	Holding company	Ordinary	100%
Brand Addition GmbH	Europastrasse 19a 45888 Gelsenkirchen, Germany	Promotional merchandise	Ordinary	100%
The Pebble Group US Bidco Inc.	909 North 20th Street Saint Louis, MO 63103	Holding company	Ordinary	100%
Gateway CDI Inc.		Promotional merchandise	Ordinary	100%
Facilisgroup LLC	1600 S Brentwood Blvd., Ste 800, Brentwood, MO 63144	Promotional merchandise service provider	Ordinary	100%
Facilisgroup Canada Inc.	5320 Canotek Road Gloucester, ON K1J 9C1	Promotional merchandise service provider	Ordinary	100%

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

All subsidiaries listed above are included in the consolidated financial statements.

6. Trade and other receivables

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	–	270
Prepayments	**56**	58
	56	328
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	**80,911**	80,588
Deferred tax asset	**155**	96
	81,066	80,684
	81,122	81,012

Amounts owed by group undertakings due within one year are unsecured, have no fixed date of repayment and are repayable on demand.

Amounts owed by group undertakings due after more than one year are unsecured, repayable in greater than one year and bear interest at market rates.

7. Deferred tax assets

Deferred tax assets are analysed as follows:

	2022 £'000	2021 £'000
Other short-term timing differences	**155**	96

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

Of the deferred tax balances at year end, £nil (2021: £nil) of the deferred tax asset is expected to be utilised within one year.

Notes to the Company financial statements
(continued)

7. Deferred tax assets (continued)

Changes during each year are as follows:

	£'000
Cost and carrying amount	
At 1 January 2021	3
Tax credit in respect of prior year	93
At 31 December 2021	96
Tax credit in respect of current year	59
At 31 December 2022	**155**

8. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Accruals	**288**	324

The Company is party to a Group cross-guarantee banking arrangement, which is a revolving credit facility of £10,000,000. The facility was refinanced in January 2023 for a three-year period to January 2026, with the option to extend for an additional year to January 2027. Interest was charged at a rate of SONIA + 1.9%. As at year end the balance on the facility was £nil. There is also an overdraft facility of 11,000,000 RMB for Brand Addition (Shanghai) Trading Co. Limited, which is guaranteed by the Company. At year end, the balance on the facility was £nil.

9. Called up share capital

Details of movements in shares are set out in note 20 to the Group financial statements.

10. Share-based payments

Details of share-based payments are set out in note 23 to the Group financial statements.

11. Related party transactions

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

Directors' transactions

Details of the Directors' interests in the Ordinary Share capital of the Company are provided in the Directors' Report.

Financial calendar

Financial year end	31 December 2022
Preliminary announcement of full-year results	21 March 2023
Publication of Annual Report and financial statements	21 April 2023
Annual General Meeting	23 May 2023
Preliminary announcement of half-year results	September 2023
Financial year end	31 December 2023

Company information

Nominated adviser
Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

Broker
Joh. Berenberg, Gossler & Co. KG, London Branch
60 Threadneedle Street
London EC2R 8HP

Auditors
PricewaterhouseCoopers LLP
1 Hardman Square
Manchester M2 3DE

Legal adviser
Addleshaw Goddard LLP
One St Peter's Square
Manchester M2 3DE

Registrar
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Financial PR
Belvedere PR
25 Finsbury Circus
London EC2M 7EE

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

Company number: 12231361

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Broadway House
Trafford Wharf Road
Trafford Park
Manchester M17 1DD