Annual Report 2023

The Pebble Group

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Strategic report

Corporate governance

Financial statements

"Against a challenging macroeconomic environment, the Group has continued to invest in new technology to further its market differentiation and underpin its long-term growth."

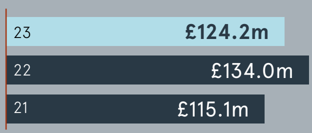
Richard Law
Chair

Financial highlights.

REVENUE

£124.2m

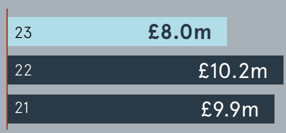
-7.3%



OPERATING PROFIT

£8.0m

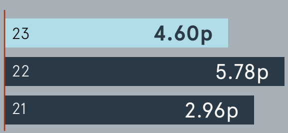
-21.6%



BASIC ADJUSTED EARNINGS PER SHARE (EPS)*

4.60p

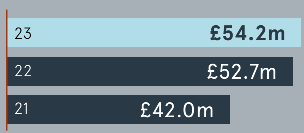
-20.4%



GROSS PROFIT

£54.2m

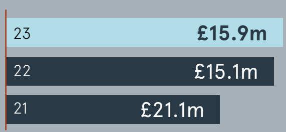
+2.8%



NET CASH*

£15.9m

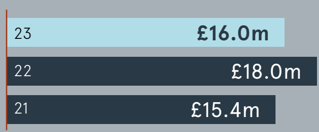
+5.3%



ADJUSTED EBITDA*

£16.0m

-11.1%



HIGHLIGHTS

- Group revenue £124.2m (FY 22: £134.0m) 7% behind prior year
- Gross margin increased 4.3 percentage points as a result of improved pricing at Brand Addition and the growing proportion of Facilisgroup as a percentage of overall Group sales
- Net cash increased to £15.9m after payment of a maiden dividend
- Progressive dividend policy continues with a proposed increase to 1.2 pence per share for FY 23 (FY 22: 0.6 pence per share)

* Basic Adjusted Earnings Per Share (EPS), Net Cash and Adjusted EBITDA are each defined in the Chief Financial Officer's review on page 48

Our values define our behaviour and decision-making, underpinning the delivery of our long-term growth and securing our long-term future.

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.

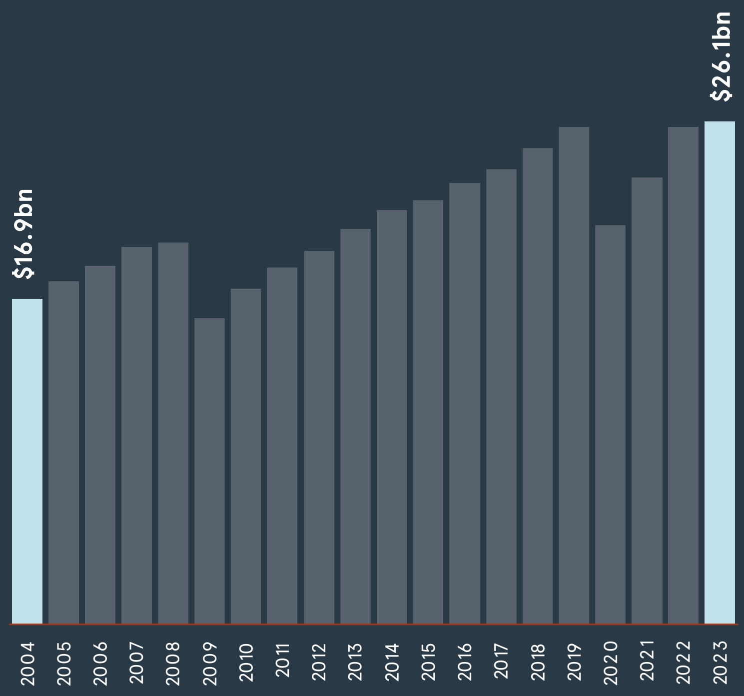
Introduction to the Promotional Products industry

Industry growth and development.

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.

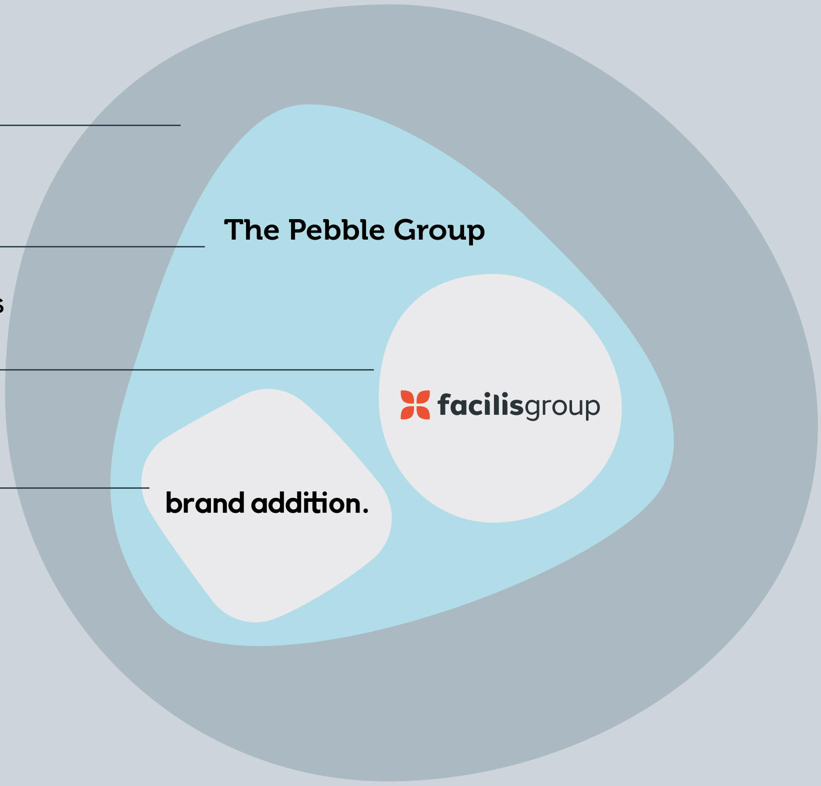
Businesses have become more considered in their approach, investing in products to engage with employees and customers that align with brand values, are made from more sustainable materials and are useful, helping to generate as many brand impressions as possible.



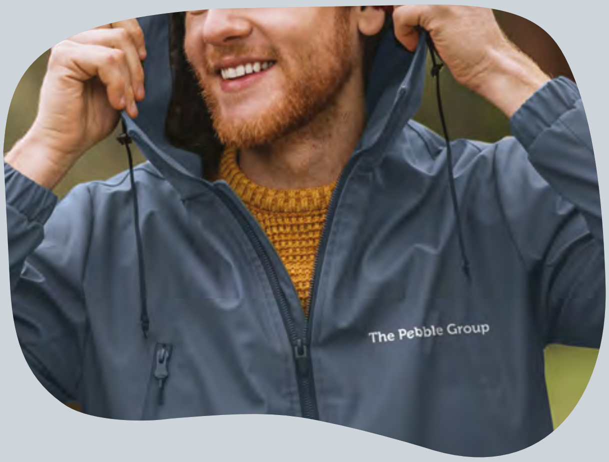
Advertising Specialty Institute (ASI) reported industry sales revenue (North America).

Market Opportunity

c.$50bn	GLOBAL INDUSTRY
$1.5bn	VISIBILITY OF SALES OF PROMOTIONAL PRODUCTS
$1.4bn	SALES THROUGH OUR TECHNOLOGY
$0.1bn	SALES OF PROMOTIONAL PRODUCTS



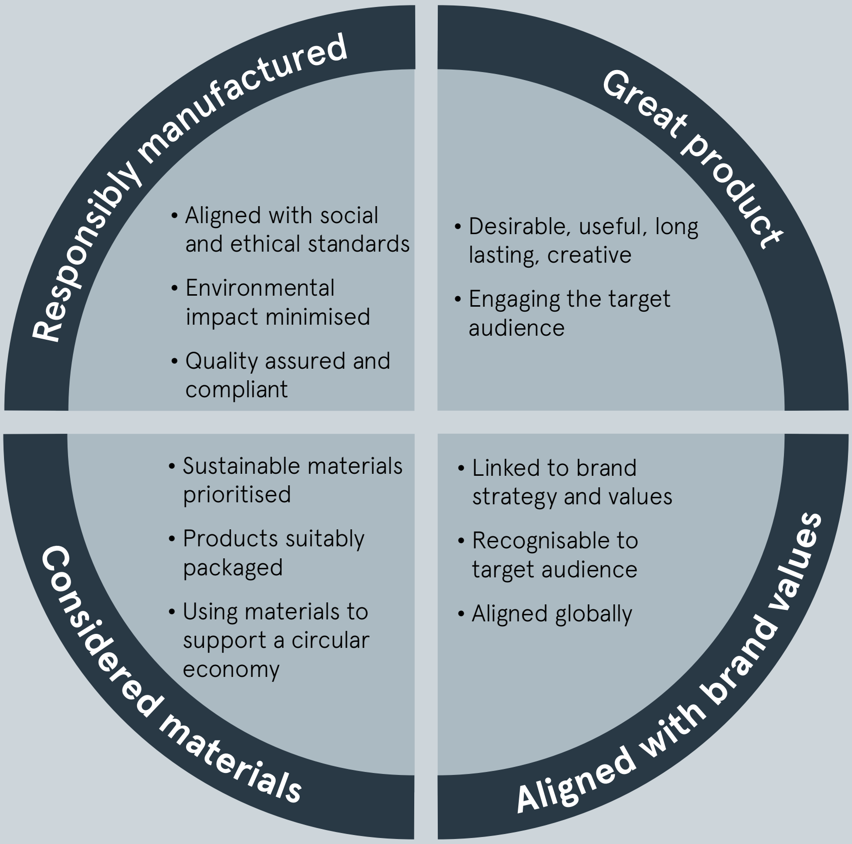
Why are promotional products used?



Businesses of all sizes, sectors and geographies use products branded with their name or key message. They are used to build culture, brand awareness and make meaningful connections with 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.

Developing an effective strategy



Benefits

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

Our businesses

Two differentiated businesses.

	Purpose	Vision	Results
Facilisgroup 	To provide technology solutions to the 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.	ADJUSTED EBITDA £8.9M GROUP REVENUE 14% GROUP ADJUSTED EBITDA* 48% *this excludes EBITDA from central operations
Brand Addition 	To provide the largest companies in the world with promotional products and related services.	**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.	ADJUSTED EBITDA £9.5M GROUP REVENUE 86% GROUP ADJUSTED EBITDA* 52% *this excludes EBITDA from central operations

Our investment case.

A large market

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

Facilisgroup
Total Addressable Market (TAM) $25bn with

5.6%
Market share

Brand Addition
TAM $5bn with

2.6%
Market share

We provide digital commerce, products and related services to the global c. $50bn promotional products market.

	Overview	Services	Model
	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.	**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	**SaaS Subscriptions** for technology and online stores **Fees** for supply chain management resulting in recurring annual revenues Read more on pages 8-9.
	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.	**Design** corporate ranges and bespoke products **Source** from ethical suppliers **Deliver** across the globe	**Margin** on products and services Read more on pages 10-11.

Diversified risk

Facilisgroup has delivered 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%

50% Adjusted EBITDA margin in FY 23

Track record of growth over time

Facilisgroup had a 4-year revenue CAGR of 17%, high visibility of earnings and strong cash conversion.

Brand Addition – has repeat revenues and enduring customer relationships.

Facilisgroup
SAAS revenues

17%

4-year CAGR in FY 23

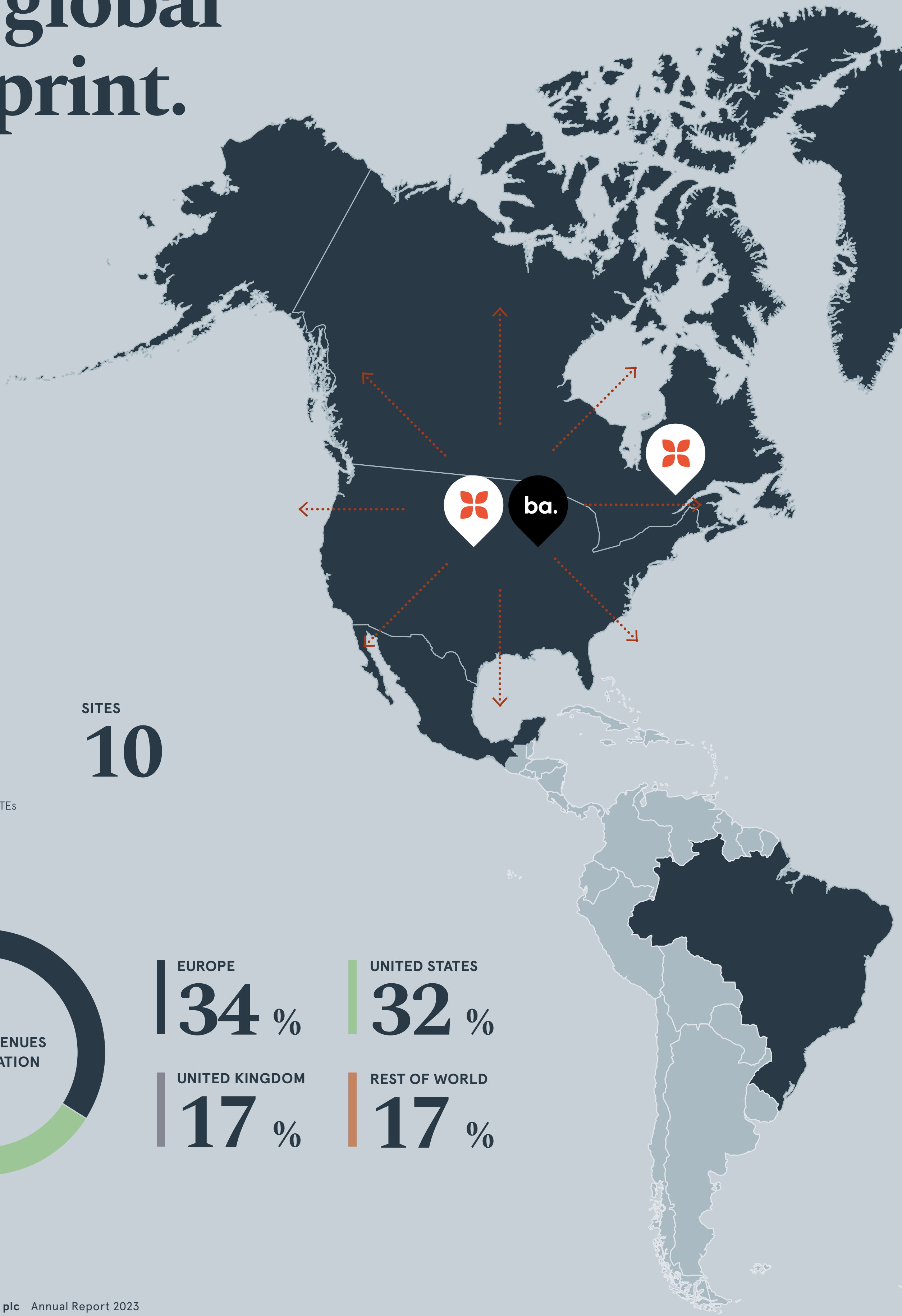
Capability and scale

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.

Our global footprint.



EMPLOYEES
568

(Employees number refers to FTEs as at 31 Dec 2023).

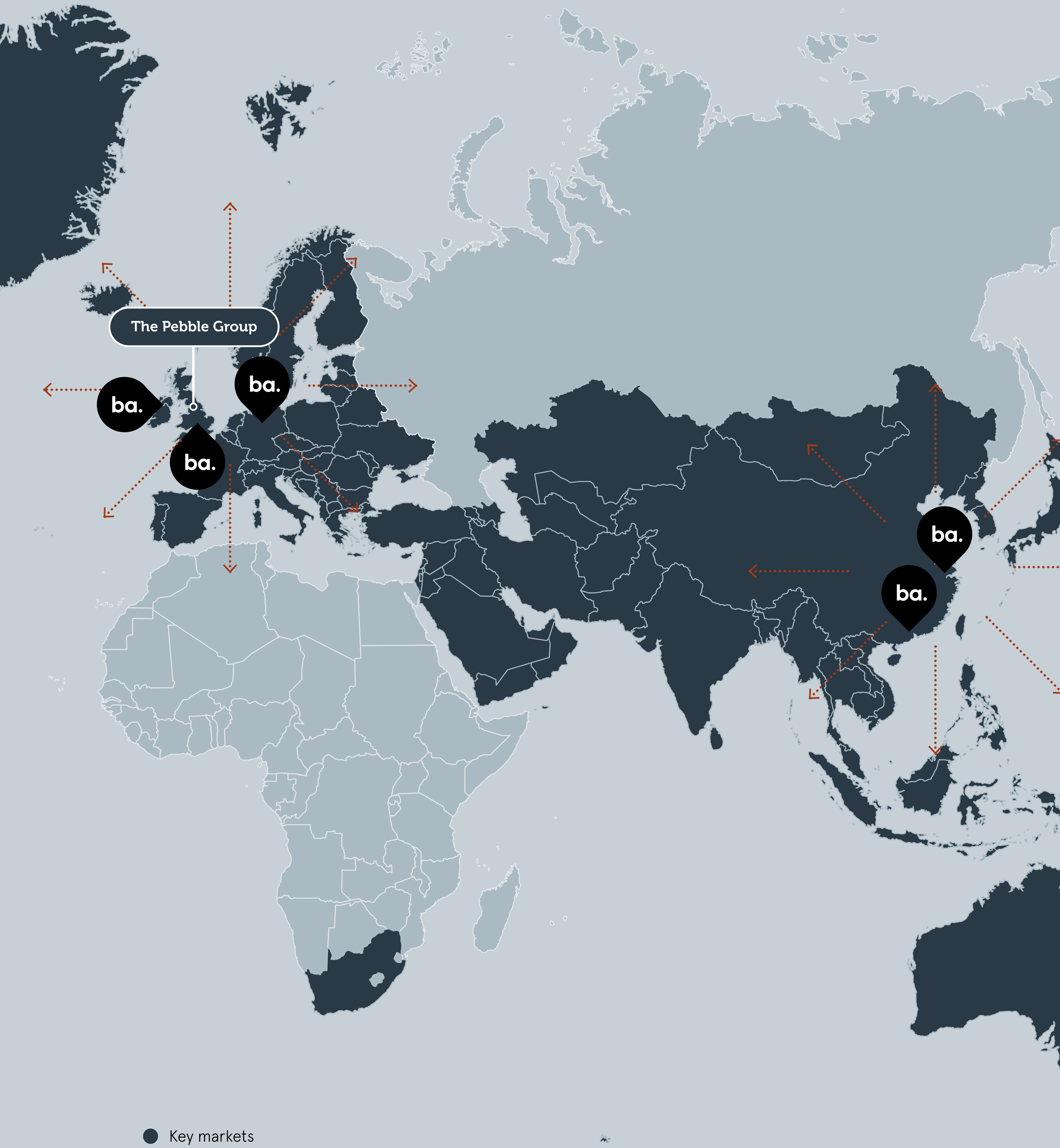
SITES
10

EUROPE
34 %

UNITED STATES
32 %

UNITED KINGDOM
17 %

REST OF WORLD
17 %


The Pebble Group
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Key markets

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

Technology processes:
$1.4bn sales (FY 22: $1.4bn) in the North American promotional products sector are processed through our technology with 242 Partners at the end of 2023 (2022: 217)

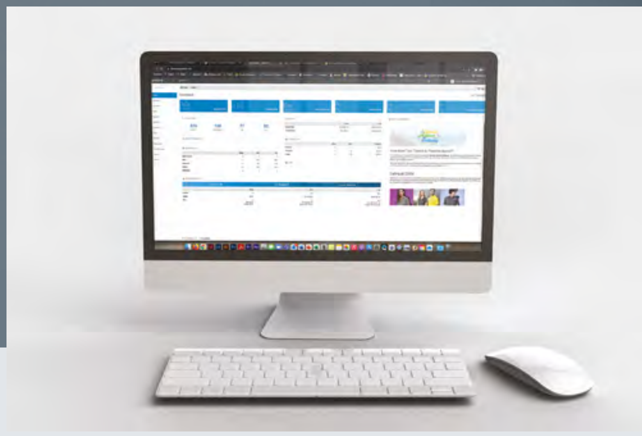
Customers join and stay:
As a result of a combination of highly regarded technology, consolidation of buying power and community learning and networking events

Revenue 2023:
£17.9m

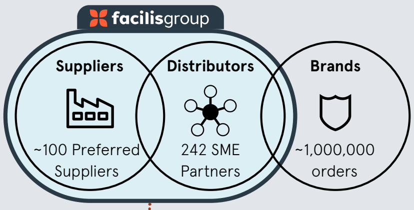
Employees:
101

Gross Merchandise Value (GMV):
$1.42bn

Spend with Preferred Suppliers:
$0.47bn



Providing technology and services to support growth and efficiencies in the promotional products market



- Technology and expertise delivering growth
- Visibility of business performance leading to better decision-making
- Market network and community brings benefits beyond technology
- Long-term, trusted Partner

Facilisgroup provides a digital commerce platform to promotional products businesses in North America. Our technology enables those businesses to benefit from significant business efficiency and to gain meaningful supply chain advantages from quality suppliers under preferred terms.

Our recurring revenues, 95% of FY 23 total revenues (FY 22: 93%), are derived from subscriptions for technology and a proportion of spend with our Preferred Suppliers flowing through our platform.

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 (Partners), and over 100 Preferred Suppliers in North America.

In the year ended 31 December 2023 the business processed over $1.4bn of sales (2022: $1.4bn) 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. Supplementing the Syncore technology is Facilisgroup's Commercio product. Commercio generates revenue through two main pillars: subscription revenue from providing an ecommerce solution, 'Stores', and income from suppliers for providing a technology solution to small entrepreneurial businesses. In FY 23, the majority of revenues continued to be generated through Syncore.

Learn more at facilisgroup.com

Client journey

1. Best practice processes required to drive sales and profit growth
2. Discovery of possibilities – technology, Preferred Supplier network, community
3. Implementation of Facilisgroup technology and integration with Preferred Suppliers and community
4. Business benefits received through best practice processes and expertise
5. Long-term, trusted Partner

Our businesses

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

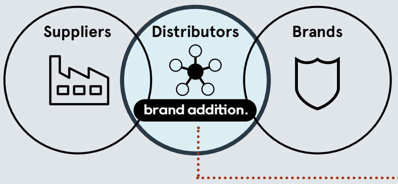
Revenue 2023:

£106.3m

Employees:

458

An end-to-end creative branded merchandise solutions



- **Build Brands with Creative Merchandise**
- **Product Desirability and Sustainability**
- **Brand Control and Consistency via Global Reach**
- **Long-term, trusted partner**

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 clients' 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

Client journey

1. Outsource merchandise to protect brand equity
2. Tender process to appoint a trusted, long-term partner
3. Expectations formalised through a contract
4. Deliver creativity and control with chosen partner
5. Long-term, trusted partner

Continuing to invest in our differentiation.

Richard Law
Chair and Independent Non-executive Director

Against a challenging macroeconomic environment, the Group has continued to invest in new technology to further its market differentiation and underpin its long-term growth.

Overview

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

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

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

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

Our market and strategy

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

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

Our market insight shows that:

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

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

Our businesses

Facilisgroup

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

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

Brand Addition

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

Dividend

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

Environmental, Social and Governance

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

In the ESG section of our 2023 Report and Accounts, we update on the continued progress the Group is making in reducing its environmental impact and in engaging with suppliers to encourage the reduction in their Greenhouse Gas emissions. In October 2023, the Group was awarded The Race Equality Code Quality Mark which recognises our efforts and future commitments to Diversity, Equity and Inclusion (DEI) in the workplace. From a governance perspective, the appointment of David Moss as our new Non-executive Director to enhance the Group Board's technology experience and skillset was a particular highlight.

David was a co-founder and CTO of Blue Prism which was an AIM listed company for 6 years before being bought by SS&C Technologies Holdings, Inc. in 2022.

Team and Board

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

"Our accomplishments are achieved as a result of the talent and diversity of our teams."

Outlook

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

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

Richard Law
Chair
18 March 2024

Chief Executive Officer's review

Focussed on the opportunities ahead.

Christopher (Chris) Lee
Chief Executive Officer (CEO)

Against the disappointment of reporting FY 23 numbers below FY 22, we remain focussed on the intrinsic strengths of our businesses and the attractive strategic opportunities they present.

Introduction

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

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

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

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

Business Review

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

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

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

- Partner numbers: 7.6% increase to 242 at 31 December 2023 (31 December 2022: 225);

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

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

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

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

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

Approach to the market

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

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

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

Our current go to market strategy is through:

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

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

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

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

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

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

Chief Executive Officer's review

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

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

Approach to the market

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

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

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

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

People and Environmental, Social and Governance

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

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

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

Outlook

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

Chris Lee
Chief Executive Officer
18 March 2024

Our strategy in action

Making progress against our goals.

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 high Partner (customer) retention, growth in existing Partner Gross Merchandise Value (GMV) and adding new Partners.	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 Partner acquisition, resulted in Partner numbers increasing from 217 to 242 as at 31 December 2023. **242** Partners +11.5%	Product development continues. The number of customers as at 31 December 2023 was 56. **56** Customers	Product in beta testing moving towards full launch in late FY 24.
Goals for 2024	Maintain focus on our Partner retention and new Partner acquisition.	Make progress in establishing Commercio as a market leading ecommerce solution in North America.	Launch to market in FY 24.
Alignment to Key Value	CONNECTED TO OUR STAKEHOLDERS	Facilisgroup's technology products transform connections between promotional product suppliers and distributors across the industry.	

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.	The reduction in revenue in the year was concentrated in our Technology and Consumer clients. Our Engineering and Transport sectors showed resilience and delivered growth.	Client retention remains strong with top 20 clients from FY 22 continuing to contribute ~ 70% revenues in FY 23.
	For further detail on the impact on revenue from new client wins, revenue from existing clients, and the impact on the business of revenue by client category, refer to the Key Performance Indicators on page 45.		
Goals for 2024	Continue to attract new contracts with major international brands through our credentials in ESG, technology and creativity, delivered to clients across multiple geographies.	Continue to develop our relationships with existing clients, return our Technology and Consumer sectors to growth and successfully build on new client implementations from 2023.	Retain our major client contracts by continuing to engage their stakeholders and evolve the service we provide them.
Alignment to Key Value	AMBITIOUS POSITIVITY	Brand Addition is ambitious in its continued growth as a trusted promotional product supplier to new and existing global brands.	

Our Stakeholders

Listening to our stakeholders.

Stakeholder engagement

Investing in and developing our stakeholder relationships is central to our Group values.

We know that the Group's ability to foster effective business relationships with all of our stakeholders is critical to our success. The Group Board is committed to ensuring that strong, positive relationships are built and maintained with stakeholders to allow for open engagement and to ensure a good understanding of their interests throughout our businesses.

To reflect our Group structure, the Group Board has developed reporting arrangements to ensure relevant and active engagement takes place between the Group Board and the Divisional Leads. The output of this engagement informs Divisional decision-making, with an overview of all material developments and relevant feedback being reported to the Group Board to inform its Group level decision-making.

This section of the Report identifies the Group's key stakeholders and why they are important to our businesses. It contains a summary of how the Group Board and our businesses systematically engage with those stakeholders, the matters they engaged with them on in 2023 and the outcome of that engagement. The Employees section also explains how employees were regularly consulted and provided with information on matters of concern to them.

Our key stakeholders

Employees

Why we engage

The Group employs people globally whose skills, expertise, loyalty and dedication will enable our businesses to achieve their vision, strategy and goals. Our people are therefore fundamental to our medium to long-term success.

We engage with employees to ensure that we can continue to develop and invest in our people in the right way and ensure they are fully engaged with our businesses and effective in their roles.

We also engage to create a positive and inclusive culture that is sensitive to the issues that affect our people, so they can thrive and grow within our Group.

How we engage

- See 'Group Board Engagement with our businesses and employees' on page 60 for details of how the Group Board and Divisional Leads engage
- The Group Board ensures access to an anonymous whistleblowing portal and the Audit Committee oversees any follow-up action from reports
- Arrangements via Divisional Leads and/or HR Leads are in place for:
  - global and local update meetings on key topics;
  - global and local newsletters and emails;
  - a regular employee forum and health and safety committee;
  - annual employee surveys with employee engagement score reported to Group Board;
  - a feedback tool on employees' desktops;
  - training platforms used to disseminate key information, promote Group culture and cascade values/expectations;
  - communication of new policies and updates to control register in real time; and
  - ensuring annual Performance Development Reviews (PDRs) are conducted

Key topics of engagement

- Business sales and profitability
- Opportunity for US team to invest in the Company
- Group trading performance, share price and liquidity
- Group Long Term Incentive Plan (LTIP) performance and arrangements for share ownership following 2020 LTIP vesting
- Leadership changes and Divisional strategy
- Embracing Diversity, Equity and Inclusion (DEI) in a meaningful way
- Sustainability and ESG developments: our work and commitments
- Opportunities for personal growth and development
- Quality of leadership and culture
- Social impact of our organisation: our volunteering opportunities and community initiatives
- HR benefits updates
- Conduct, Ethics and Compliance and Group expectations
- Job performance and goal accomplishments
- Workplace environment

Impact of engagement

- Decision made to have the Group's Ordinary Shares traded in the US on the OTC Market's OTCQX platform
- A Group funded LTIP platform and International Share Trust Account (ISTA) set up and a successful vesting process facilitated with Q&A and helpline
- A second Group Sharesave Plan (SAYE) rolled-out to all employees in the Group
- Group Race Equality Code Quality Mark accreditation achieved and new DEI Strategy approved by the Group Board with further plans in development (see Nomination Committee report on pages 66-68)
- HR updates provided on how to maximise PDRs
- Introduction of a new mentoring programme in Brand Addition
- Investigation into running a management development programme and conducting 360 degree appraisals in Brand Addition
- Continued Board level focus on talent identification and development (see Nomination Committee report on pages 66-68)
- Capital expenditure projects approved to improve workplace environment

Our Values in action:

Connected To Our Stakeholders

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

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, long-term relationships.

Our clients' and Partners' success is supported 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 our businesses and employees' on page 60 for details of how the Group Board engages
- Group Board maintains arrangements that foster business relationships with clients and Partners via its Divisional Leads in the form of:
  - dedicated 'Partner Success Managers' in Facilisgroup;
  - Facilisgroup weekly client newsletter the '411';
  - monthly virtual education sessions on key topics for Facilisgroup Partners;
  - Quarterly Business Reviews (QBR) with key clients at Brand Addition;
  - Brand Addition team presentations to clients on key topics;
  - Client and Partner questionnaires including Net Promoter Scores (NPS) to measure client satisfaction;
  - ongoing schedule of Partner site visits to better understand Facilisgroup Partners and how they utilise our technology and services;
  - hosting all-Partner Facilisgroup webinars, updating Partners on major changes and developments to support their understanding of our business strategies;
  - hosting Facilisgroup Partner 'Owner and Key Manager' events to further build relationships, and support our priority setting in the business;
  - biannual Facilisgroup supplier survey and on-demand feedback survey for Partners; and
  - hosting our major in-person Facilisgroup Partner Summit

Key topics of engagement

- Supply chain management principles and sourcing strategies
- Feedback on key suppliers
- Ongoing development and improvement of our technology, services and client support
- Collaboration on growth strategies
- How to enhance the benefits of using our technology and the benefits of 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

- NPS continues to be used as a KPI to indicate the value clients place on us and assists with maintaining strong retention
- Brand Addition continues to place sustainability at the centre of its five-year strategic development plan 'ba.ONE sustainability and growth'
- Brand Addition provides targeted products to meet client's brand engagement requirements and sustainability product needs
- Brand Addition engaged quickly with clients to minimise the impact of disruption caused by piracy in the Red Sea and worked closely with them to mitigate the impact of not using the Suez Canal
- The Brand Addition technology roadmap was driven by feedback from customers NPS & QBR results, leading to introduction of a Warehouse Management System, a new returns process and payment upfront solutions being included in technology plans
- Brand Addition developed and launched its Sustainable Product Standards for customers and suppliers
- Facilisgroup adapted its events schedule and content to better fit with Partner priorities
- Facilisgroup raising the profile of its leadership team within the business to support Partner communication
- A Partner elected 'Partner Advisory Committee' was formed, chaired by Facilisgroup and its senior management, to include a cross section of Partners of differing GMV sizes, longevity and location

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 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 our businesses and employees' on page 60 for details of how the Group Board engages • Group Board maintains arrangements that foster business relationships with suppliers via its Divisional Leads in the form of: – use of formal written contracts, negotiated transparently 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; – conducting annual ESG surveys; – use of an annual supplier scorecard in Facilisgroup to give feedback and identify areas of opportunity; – our Facilisgroup Supplier Showcase, which is a dedicated trade show for strategic collaboration; – formal audit processes to provide feedback and opportunities for development; and – supplier training webinars hosted for Brand Addition suppliers in Asia, Europe and North America • Executive Directors participate 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, quality and sustainability of product, packaging and supply chain • How the Group can assist, influence, and develop its suppliers' own ESG and sustainability plans • Matters of trade compliance and sustainability	• Taking informed steps to maintain secure product sourcing throughout supply chain challenges and mitigate the impact of macroeconomic supply chain issues on our customers, suppliers and team • Ability to demonstrate compliance and share with Brand Addition team and customers • Adoption and roll out of a Brand Addition Product Sustainability Standard (a packaging standard for suppliers) with the aim of reducing overall carbon emissions across the supply chain • Brand Addition decision to *beta test* Scope 3 carbon emissions data collection principles with key suppliers to further understand product impact on Scope 3 emissions across the supply chain • Provision of data to Facilisgroup Preferred Suppliers to support them in growing its sales to our Partners • Decision to increase the involvement of our Preferred Suppliers in the Facilisgroup Partner Summit events

"The quality of our products and services are heavily influenced by our long-term strategic partnerships with trusted suppliers."

Shareholders and the wider investment community

Why we engage

The Group Board seeks shareholders who are aligned with its long-term objectives. Access to long-term capital supports our Group's strategy and enables our businesses to invest and grow.

The Group Board engages with the investment community with the aim of continually developing an understanding of the Group's business model, strategic objectives and culture.

Regular engagement helps investors understand the Group's operations, financial performance and governance, with the aim of providing the necessary information to ensure that all investors can make informed judgements.

Finally, the Group Board reports on ESG because investors and analysts require detailed information to guide their investment stewardship activities.

How we engage

- Through detailed content and presentation of the Annual Report and related investor presentations
- Publication of a standalone ESG Report, demonstrating the depth of thought and emphasis placed on this topic by the Group Board
- Regular and detailed trading updates to the market
- Commissioning paid for publicly available research
- Open access investor presentation by CEO and CFO including Q&A via a live webcast (FY 22 and HY 23 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 and CFO on markets, strategy and progress – circa. 100 took place in 2023
- One-to-one investor virtual meetings with the Chair of Group Board on approach, values and principles in relation to governance – two took place in 2023
- Annual General Meeting that investors can follow live virtually and submit Q&A, with advisory vote on Directors' Remuneration report and all Directors subject to annual re-election
- Availability of Chair of the Group Board and Chair of each Committee at AGM to answer questions
- Detailed 'Investor' section on the Company's website

Key topics of engagement

- Management, leadership, skills coverage and ability
- Group structure and creating shareholder value
- Share liquidity and valuation
- Business performance and speed to scale
- Technology product expansion plans within Facilisgroup
- Business performance over the medium to long-term and exposure of the Group's businesses to the economic cycle
- The global nature of the Group reducing our businesses' exposure to the UK economy
- The continued value and use of promotional products in businesses with sustainability strategies
- Group approach to ESG, climate change and corporate governance (see ESG pages 26-44)
- Group approach to DEI (see Nomination Committee report on pages 66-68)

Impact of engagement

- Decision to appoint new Non-executive Director with significant technology skillset
- Introduction of standing agenda item at each Group Board meeting dedicated to the principle of 'Unlocking Shareholder Value'
- Decision made to have the Group's Ordinary Shares traded in the US on the OTC Market's OTCQX platform
- Building of relationships and initiation with two new brokers to provide research on the Group and trading performance and to increase breadth of exposure to potential new shareholders
- Dedicated 'Analysts' page on the Company's website with feed from paid-for research to aid accessibility for all investors
- Investor relations activity and feedback discussed regularly at Group Board meetings and factored into decision-making
- Continued investment to progress DEI strategy and approach with the successful achievement of RACE Equality Code Quality Mark Accreditation (see page 34)
- Positive feedback taken onboard by 100% approval by those that voted in 2023 AGM for Directors' Remuneration report and re-election of each Director
- Alignment of ESG Report publication timing with Annual Report

Section 172(1) statement

Our Values in action:

Always learning and growing

Learning and growing knowing there is always progress to be made

At The Pebble Group we strive to maintain a reputation for high standards of business conduct.

The emphasis of our Group Board is on making decisions with regard to acting equitably and for the long-term.

The Group Board and senior team understand 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 report template includes Section 172(1) guidance and prompts, to ensure that each paper containing a key proposal explains which stakeholders are relevant to a decision and what long-term factors must be considered in the decision-making process. Our Company Secretary ensures that appropriate time is allotted for appropriate discussion of those.

The Group Board recognises that each decision made will not always result in a positive outcome for each of our stakeholders. However, by having good governance procedures in place for decision-making, we aim to ensure that all decisions maintain a high standard of business conduct.

This section describes three principal decisions taken during 2023 and the effect of stakeholder engagement on those decisions.

These illustrate how the Directors have had regard to the matters in Section 172(1) (a) to (f) of the Companies Act 2006 in Group Board discussions, 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 2023.

Key Business Decision (1)

Appointment of additional Non-executive Director

Decision to initiate a search for a new Non-executive Director, the nomination of David Moss by the Nomination Committee and the Group Board appointment of him as a new Non-executive Director.

Key Stakeholder groups relevant to this decision:

Our employees, particularly within our technology teams.

Our shareholders and the wider investment community.

Themes and output of engagement being addressed by this decision:

Effective stakeholder engagement had informed the Group Board that:

a) our businesses could benefit from more detailed technical oversight and guidance, particularly around the technology product development and expansion plans within Facilisgroup; and

b) shareholders and potential investors were interested in the strength of the leadership team and had sought reassurance on whether the right technology-based skills and experience were in place in Facilisgroup to deliver that business' aspirations. This highlighted the need for enhanced Board oversight to include technology skills and experience to ensure that was being effectively monitored and judged.

How did the Group Board have regard to these interests:

When the Group Board considered its strategic and governance requirements, it had regard to the output of stakeholder engagement which led to the Board investigating the need for technology skills representation at Group Board level.

The Chair of the Nomination Committee actively sought input by conducting a Needs Analysis to gather feedback on the most appropriate type of appointment to fill the skills gap that had been identified and the required expertise and knowledge in the boardroom, including opinions on key attributes required, taking into account the needs of the current Heads of Technology and their teams within each of the businesses.

The CEO discussed the matter with each Divisional Lead and Head of Technology in Facilisgroup because it was considered to be extremely important that they were engaged by the Group Board as part of the appointment process to ensure that the resulting decision was a good fit and a positive step to support the Group towards its strategic goals. This directly informed Group Board discussion and the decision-making process and ultimately led to the appointment of David Moss as a new Non-executive Director.

Other relevant s.172 considerations:

The Group Board undertook an extensive search and interview process in which multiple excellent candidates were identified. The Directors discussed the perceived likely approach of David Moss and his genuine interest to act in a supportive and coaching role for the Group's businesses and noted the positive impact that was likely to have on the Group's employees and culture.

The Directors also had regard to the likely positive consequences of his appointment on the long-term success of the Company, given his own previous career and therefore understanding and experience of the likely challenges to be faced by the Group.

The Group Board and Nomination Committee also considered their wider social responsibilities by discussing Diversity, Equity and Inclusion considerations and setting out a clear mandate to the external recruitment agent to aim to access talent from as wide and diverse pool as possible and ensured that DEI played an important part of the Board appointment process.

Overall, having had regard to all relevant factors set out in Section 172(1) of the Companies Act, the nomination of David Moss as the preferred candidate was determined by the Nomination Committees, acting in good faith, most likely to promote the success of the Company for the benefit of its shareholders as a whole.

The Group Board determined that the proposed appointment was a good fit for the Group and addressed stakeholder feedback. In making the appointment, it concluded that the appointment was a positive step to support the Group towards its strategic goals and long-term success.

Section 172(1) statement

Key Business Decision (2)

Payment of maiden dividend

Decision to make a maiden dividend payment in respect of full year 2022.

Key Stakeholder group relevant to this decision:

Our shareholders and the wider investment community.

Themes and output of engagement being addressed by this decision:

Increased investor relations activity and dialogue with brokers during 2022 and 2023 had informed the Group Board that:

a) it would be beneficial to take action to improve liquidity in the Company's share price;

b) diversifying the category of shareholder beyond large institutions was considered desirable; and

c) investment by Inheritance Tax Funds and Wealth Management Funds could help improve liquidity through more frequent trading, but for those categories of investors, the payment of a regular dividend was important.

How did the Group Board have regard to these interests:

When the Group Board considered its dividend policy as stated at IPO which had not yet been implemented, it considered and discussed the immediate requirement for ongoing investment in the Group. However, the Group Board also had regard to the long-term and considered the interests of relevant stakeholders in the application of that stated dividend policy, which led to the Group Board planning its first dividend payment.

Other relevant s.172 considerations:

The Group Board had regard to the other relevant matters in Section 172(1) in considering this decision, being the impact on helping to build a positive reputation for high standards of business conduct and the likely long-term consequences. Given the time since IPO and the Group's ambitions, the view was that the Company should consider the introduction of payment of a dividend as a step towards demonstrating that it was becoming a more mature and established business.

Key Business Decision (3)

OTCQX Market: International Tier Application and Admission

Decision by the Group Board to apply for admission of the Company's Ordinary Shares onto the OTC Market's OTCQX platform (International Tier) in the United States.

Key Stakeholder groups relevant to this decision:

Our US based employees and wider stakeholder groups.

Our shareholders and the wider investment community.

Themes and output of engagement being addressed by this decision:

Effective stakeholder engagement had informed the Group Board that:

a) the Group's US based employees and wider stakeholders were interested in investing in and owning the Company's shares which would align their own interests better with the overall Group, yet they faced practical difficulties in doing so via US brokers given the Company's London Stock Exchange AIM listing;

b) shareholders and potential investors were interested in the Company taking steps aimed at improving the Company's share liquidity to help unlock shareholder value; and

c) Inheritance Tax (IHT) funds (part of the wider investment community) were concerned that a "dual-listing" for the Company would result in it being ineligible for IHT funds to invest in.

How did the Group Board have regard to these interests:

In its decision-making process, the Group Board noted that the primary aim of this decision was to increase liquidity of the Company's shares by creating ready access to US investors. A secondary aim was to allow our US stakeholders (employees, Partners and others) an efficient and convenient way to invest in and then trade the Company's shares. The Group Board determined that the OTCQX platform offered an efficient way of achieving these aims without material time and resource disruption to other areas, such as the Company's operations and corporate governance structure. The Group Board also sought guidance on the "dual-listing" issue for IHT funds and satisfied itself that admission to the OTC Market would not classify as a dual-listing and would not result in the Company being ineligible for IHT funds to invest in. The Group then took steps to include clear and consistent explanation of that point in all communications to ensure that no misunderstanding arose in that regard.

Other relevant s.172 considerations:

The Group Board also considered other consequences of the decision and said benefits were expected to include general increased visibility and a positive impact on the Company's reputation, and possible increased participation in/value attributed to the Company's employee share-based compensation, which may enhance ability to attract and retain key employees in the US. Overall, having had regard to all relevant factors set out in Section 172(1) of the Companies Act, the decision was determined by the Directors, acting in good faith, most likely to promote the success of the Company for the benefit of its shareholders as a whole.

Our Values in action:
Ambitious positivity

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

Integrating ESG into all aspects of our business.

ESG introduction

We aim to integrate ESG into all aspects of our business and strive to create an exciting and engaging place to work and tackle the increasing environmental and social challenges faced by the world.

Investing in how to achieve our strategy with sustainable impact is central to our Group values.

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 positive steps and commitments to ESG in a way that is meaningful, to future proof our operations addressing ESG demands 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. Our intention is to be transparent in our approach, in our commitments and how we measure and deliver against these commitments in terms of clear targets and aspirations. Our ESG priorities continue to be informed by our materiality assessment representing the topics that are likely to have the greatest impact on our Group and are the most important to our stakeholders.

Evolving our ESG priorities.

ESG priorities

In 2023, we updated our materiality assessment and expanded our scope by directly seeking the views and inputs from clients, Partners, investors, suppliers and our internal teams.

The categories were scored in terms of importance and impact and the results used to help strengthen and update our previous assessment.

This resulted in the addition of a further four material topics to the assessment, redefining of our four ESG cornerstones and updating of our priorities and objectives, allowing us to articulate our efforts more clearly under our framework. As we gather more data and benchmark our performance we will review and revise our goals to include quantitative measures to help track our improvements.

The below table details our evolved ESG cornerstones and our 2030 ESG action plan.

CORNERSTONE	PRIORITIES	OBJECTIVES
Advancing sustainability	Reduce greenhouse gas (GHG) emissions and our environmental impact Enhance the range of sustainable products and support customers to become more sustainable Make packaging more sustainable and reduce waste	Net-Zero in our direct operations by 2030, 100% renewable electricity by 2025 Prioritise the reduction of Scope 3 emissions Continued development of bespoke customer focused products and stock ranges made from sustainable materials Strive to reduce the amount of single-use plastic in our product packaging and transit packaging Aim to reduce the amount of waste being sent to landfill from our warehouses and distribution centres
Empowering our people	Expand Group diversity Attract, retain and develop our employees Provide opportunities and training to help our people achieve their goals	Aim to achieve the RACE Equality Code Quality Mark and strive to create an inclusive culture where everyone feels valued, respected and treated fairly Aim to achieve and maintain an employee engagement score of 75 Strive for zero accidents in the workplace
Community engagement	Provide support and charitable giving to local communities Build and grow relationships, in the industry to expand the Facilisgroup community	Aim to volunteer over 1,000 hours annually to support local community projects and encourage a majority of our employees to take part in community volunteering activities to learn new skills and support local projects Grow Facilisgroup community engagement through organised events, education, collaboration and training
Responsible leadership	Implement and improve key policies and frameworks to provide effective governance Regularly engage with all stakeholders Raise standards in our supply chain and increase ESG supplier screening	Development and continuous improvement of key Group level policies Improve the supplier assessment programme to incorporate additional ESG related assessment criteria into supplier selection Evaluate our suppliers to verify that they are acting responsibly, and they are aligned with our ethical and environmental standards Achieve ISO27001 certification at Brand Addition and SOC2 certification at Facilisgroup

ESG highlights.

GHG emissions

We have continued to make good progress in reducing our environmental impact, switching all of our sites over to renewable electricity and engaging with our suppliers to encourage the reduction in their GHG emissions.

The RACE Equality Code Quality Mark

In October 2023, the Group was awarded The Race Equality Code Quality Mark recognising our efforts and future commitments to DEI and race equality in the workplace.

ISO certification

In June 2023, Brand Addition was successful in extending the scope of its ISO9001 and ISO14001 certifications and in August 2023, it achieved certification to the ISO27001 information security standard.

OVERVIEW OF OUR 2023 KEY ESG HIGHLIGHTS

Advancing sustainability Aim to make a positive long-term contribution to reducing our environmental impact across all aspects of our business	**54%** reduction in our Scope 1 and Scope 2 emissions	**100%** of our sites are now using renewable electricity, achieving our target in 2023	**30%** reduction in our Scope 3 emissions
Empowering our people Aim to create a safe and inclusive culture, celebrating individuality and diversity	**58%** female representation across the Group	**Race Equality Code** quality mark achieved	**71** Employee engagement score achieved across the Group
Community engagement Aim to create a lasting impression in our local community and build a strong distributor network, promoting innovation and collaboration	**1,165** Group volunteering hours donated to local community projects	**1,366** People joined Facilisgroup Partner events in 2023	**242** Facilisgroup Partners
Responsible leadership Aim to lead responsibility through good governance, embedding clear policies, processes and safeguards	**ISO27001** certification achieved	**ISO9001** and **ISO14001** certification expanded to cover all key sites	Implementation of Group Framework on Conduct, Ethics and Compliance

ESG Report 2023

Our 2023 ESG Report provides an in-depth review of our activity throughout the year and expands upon the information included in our Annual Report.

An overview is included 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' section of our website.

Reducing our emissions impact.

GHG emissions and energy usage

In 2023, our Group reduced its GHG emissions by 32% (34% against our base year).

The reduction has been a consequence of a number of different factors including the lower volume of products sold through Brand Addition, the changes to the product mix sold by Brand Addition, consolidation of logistics suppliers, access to higher quality supplier data and transitioning our sites over to renewable electricity.

GHG emissions in our direct operations (Scope 1 and Scope 2)

In FY 23, with the completion of moving all of our sites over to renewable electricity we have reduced our market-based Scope 2 emissions by 82%, through a combination of renewable energy contracts and Renewable Energy Credits (RECs), achieving a 54% reduction in our total direct emissions (55% compared to our 2021 base year).

Energy savings and energy efficiency

Consolidating our German office and warehouse locations in 2022 enabled us to reduce our overall Group energy consumption by 7% (208MWh) against prior year. A larger working area, efficiency savings and the fitting of LED lighting and more efficient heating in our German premises allowed us to reduce our energy consumption over the long-term. In our other locations, we continue to educate our team members on being energy conscious, turning off lights and shutting down computers and monitors to help minimise our energy usage.

Indirect emissions (Scope 3)

Indirect emissions from Brand Addition accounts for 99% of the Group's total carbon footprint with the majority of the emissions falling into two categories, purchased goods and services and transport and logistics.

We recognise that a large proportion of the emissions savings in 2023 result from a reduction in the volume of products purchased through our suppliers and data accuracy improvements, such as moving to supplier specific reporting for our main logistics providers. However, some savings result from the proactive steps taken across the Group, as detailed below:

- launching a supplier engagement project, to educate our suppliers on our long-term strategy and goals to reduce our GHG emissions. The aim of the project was to encourage suppliers to take action and address their own carbon emissions;
- prioritising services from our logistics providers that lower carbon emissions, such as DHL's Go Green service and the FedEx carbon offset pilot programme; and
- continuing to work with our customers to develop bespoke products made from sustainable materials, products that are less energy intensive to manufacture or have a lower overall impact

Business travel and employee commuting

In 2023, we continued to reduce travel between sites by making best use of video conference facilities where appropriate. However, as a consequence of more people returning to the office and recommencing in-person customer visits after the pandemic, in addition to improvements in the way that we track travel, our overall business travel emissions increased by ~600 tonnes CO_2e.

Improving Scope 3 reporting

Our long-term goal for tracking emissions from purchased goods and services is to transition to activity-based reporting. This remains challenging due to complexities and variabilities in collecting the necessary product data. In 2024, we will investigate the possibility of introducing intensity-based reporting for select Scope 3 categories to help with future emissions tracking.

GHG emissions and Streamlined Energy and Carbon Reporting (SECR)

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 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 SECR Regulations.

In the table below we have reported the GHG emissions and energy usage for the Group and split out the relevant UK based operations required for SECR.

		2023		2022		Variance	
Energy consumption (MWh)		UK	Group	UK	Group	UK	Group
Natural gas		–	822	85	1,048	-100%	-22%
Renewable gas (Biogas)		313	313	198	198	58%	58%
Electricity (Standard)		216	216	231	1,228	-6%	-82%
Electricity (Renewable)		60	1,122	43	186	40%	503%
Transport fuel (Company owned vehicles)		–	118	–	127	–	-7%
Transport fuel (Employees own vehicles)		21	21	33	33	-36%	-36%
Carbon emissions (tonnes CO_2e)		UK	Group	UK	Group	UK	Group
Scope 1	Stationary combustion (Gas)	63	227	58	251	9%	-10%
	Mobile combustion (Company owned vehicles)	–	29	–	34	–	-15%
Scope 2	Purchased Electricity (Location based)	61	411	61	434	–	-5%
	Purchased Electricity (Market based)	79	79	81	439	-2%	-82%
Scope 3	Purchased goods and services	–	27,590	–	40,811	–	-32%
	Fuel-and energy-related activities	–	165	–	178	–	-7%
	Upstream transportation and distribution	–	6,308	–	8,990	–	-30%
	Waste generated in operations	–	1	–	1	–	–
	General business travel	–	930	–	302	–	208%
	Business travel in employees own vehicles	5	5	8	8	-38%	-38%
	Employee commuting	–	407	–	336	–	21%
Total Scope 1 and Scope 2 emissions (Location-Based)		124	667	119	719	4%	-7%
Total Scope 1 and Scope 2 emissions (Market-based)		142	335	139	724	2%	-54%
Total Scope 3 emissions		5	35,406	8	50,626	-38%	-30%
Offsets		–	1,220	–	825		
Total emissions (Location-based)		129	34,853	127	50,520	2%	-31%
Total emissions (Market-based)		147	34,521	147	50,525	–	-32%
Total energy consumption (MWh)		610	2,612	590	2,820	3%	-7%
% Renewable electricity		22%	84%	16%	13%	6%	71%
% Sites using renewable electricity (31 December 2023)		100%	100%	50%	36%	50%	64%
Intensity metrics (tonnes CO_2e per £1m of revenue)		UK	Group	UK	Group	UK	Group
Intensity ratio Location - based		2.09	281	1.81	377	15%	-25%
Intensity ratio Market – based		2.39	278	2.10	377	14%	-26%

Methodology

1. Group emissions column includes UK emissions.
2. GHG emissions have been calculated by each business and then summarised in this table.
3. 'Biogas' is purchased UK gas from our energy provider backed by RGGOs / BMCs.
4. All carbon emissions have been calculated using the Normative carbon reporting engine unless otherwise stated.
5. All carbon emissions have been restated to:
   - Remove the stationary combustion market-based calculation to ensure that gas usage is correctly reported to account for the use of biogas.
   - Reflect the changes to the emission factors used for Facilisgroup Scope 3, purchased goods and services due to the retirement of the Quantis GHG protocol Scope 3 evaluator and the inclusion of additional expenses associated with purchased goods and services due to improvements in data collection.

Brand Addition

Employee commuting has been calculated using the relevant 2023 DEFRA (Department for Environment, Food & Rural Affairs) emissions factors (EFs).

Facilisgroup

Natural gas consumption has been calculated using the 2023 EFs published by Environment and Climate Change Canada.

Employee commuting has been calculated using the relevant 2023 DEFRA EFs.

Scope 3 emissions have been calculated using the US EPA Supply Chain Greenhouse Gas Emission Factors v1.2 by NAICS-6.

Product sustainability

Responsibly increasing our sustainable product portfolio at Brand Addition.

POST-CONSUMER RECYCLED DOWN PADDING

100%

Product sustainability

Promotional merchandise plays an important role in connecting brands with their target audience. As sustainability increases in importance, our customers recognise that the products used to promote their brand need to reflect this changing landscape. Brand Addition is well placed to support its customers in facing these challenges.

In 2023, Brand Addition launched a sustainable product catalogue. The catalogue was developed to support internal sales teams and customers building sustainable ranges to select products that have been pre-assessed against our own internal product sustainability standards to ensure that any sustainability claims are validated. The catalogue features over 350 different sustainable products in all core categories and provides varied and innovative products that not only allow our customers to promote their brand in a sustainable way but also explains how each product provides a sustainable benefit and supports the circular economy.

POST-CONSUMER RECYCLED ALUMINIUM

40tonnes

> **“Our sustainable product catalogue features over 350 different items.”**

We have also continued to provide our customers with innovative, bespoke, sustainable product solutions. Examples include textile products made of fabric repurposed from recycled plastics found in our waterways and using organic materials that reduce production waste and are easily recycled or biodegradable.

Our aim with all the products we supply is that they are useful, practical, desirable and something that people want to keep. This not only prevents waste, but also helps our customers increase brand impressions and grow their target audience.

Packaging and waste

Packaging

Packaging plays an important role in protecting the products we deliver to our customers and we also recognise our role in supporting the circular economy by ensuring that the packaging we use is appropriate and can be easily recycled to minimise its environmental impact. To minimise the amount of packaging used, where possible, we make direct shipments from manufacturers to our end customer or send out product from our warehouses in its original packaging. Where customers require smaller quantities, we use our own transit packaging to package the goods.

In 2023, we made a number of improvements to our own internal transit packaging. These changes were focused on our US warehouse and included:

- replacing the carton sealing tape used historically with a reinforced tape that has resulted in a reduction in the amount of tape used during application
- reducing the thickness of our smaller boxes to reduce cardboard content without compromising the products being transported
- increasing the recycled content in our packaging void fill
- improved the way in which individual products are packaged to reduce the volume of packaging materials used

Waste

In 2023, we conducted several waste audits across the Group. From the audits we found opportunities in our offices to improve waste management by consolidating waste bins and adding a compost programme. In our warehouses we added additional waste bins in strategic locations, standardising the colour of different waste streams, and adding new signage at existing bin locations. We expect these updates should help us continue to reduce the amount of waste sent to landfill and help improve our recycling rates.

Building a culture of openness, belonging and trust.

The Pebble Group is committed to developing a culture of openness, belonging and trust which is central to our Group values. We strive to provide an inclusive place to work where everyone feels valued, respected and treated fairly.

We are focused on providing equal opportunities throughout the Group and aim to promote a 'speak-up' culture with inclusive systems and processes. We want to attract and retain the best individuals by providing opportunities to learn and grow through the development and integration of inclusive and equitable practices. This is central to our Group values.

Diversity, Equity and Inclusion

Our Group DEI policy and our formal succession planning process set out our approach to DEI and how we aim to embed and enhance our commitment to further diversify our teams.

In April 2023, the Group appointed an external governance consultant to commence 'The RACE Equality Code' assessment, joining a network of over 50 other businesses who have completed a formal evaluation of how race and DEI is tackled within the workplace. The assessment consisted of a comprehensive four stage review which covered:

- Diagnostic document review and survey
- Governance assessment
- Code diagnostic self-assessment
- Inclusion support questionnaire

The results of the assessment provide a detailed account of business performance against the four key principles of the RACE code (Reporting, Action, Composition and Education), identifying areas of strength and making suggestions for areas of improvement. All businesses who adopt the RACE code are required to provide a written statement against each of the four RACE principles detailing the actions they are going to take over a three year period to move the dial of RACE and DEI in their organisation to influence positive change, moving from being data aware to becoming data driven.

In October 2023, The Pebble Group was awarded The RACE Equality Code Quality Mark to recognise the commitments it has made towards accelerating efforts to address DEI and race. The action plan allowed us to revisit and update our DEI strategy, focusing on seven key areas to improve DEI across the Group. In order to retain the 'RACE Quality Mark', regular external reviews and check-ins are undertaken to confirm that progress is being maintained against our four principles statement and action plan. The RACE code evaluation has helped us create a clear and tailored action plan specific to our business needs that will allow us to focus on the most important areas of DEI and race across the Group.

Internally we continue to evolve our approach to recruitment and have implemented steps to ensure we have the widest pool of candidates when we advertise new roles and we continue to work on attracting candidates from all backgrounds. The appointment of David Moss as our new Non-executive Director in 2023 saw our Group Board gender balance reduce. However, the senior roles of our two female Board members (being CFO and Senior Independent Director) are strengths from a gender balance perspective and it is considered to remain good. Overall, our gender and ethnicity split across our businesses remains similar to previous years.

As part of our new DEI strategy, we will benchmark ethnic diversity levels in the Group against regional and national data. We will also use the help of our network through the RACE Equality forum to identify opportunities to continue to improve.

Our Values in action:

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.

Our Values in action:

Always learning and growing

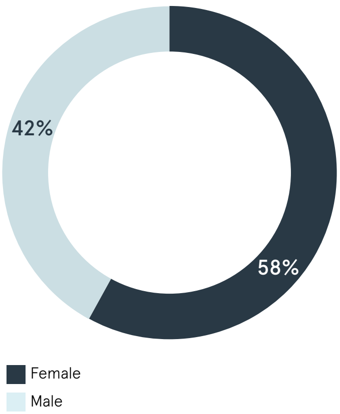
Learning and growing knowing there is always progress to be made

Group diversity figures

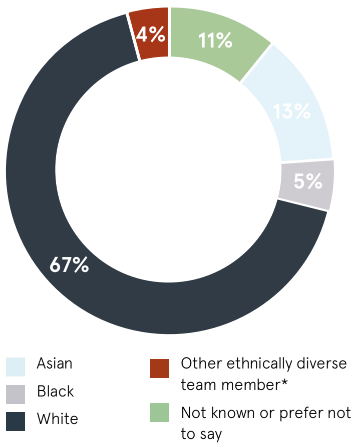
The Group is committed to fostering a culture of diversity and inclusion. We take pride in our gender balance and consider it to be an area of strength. We are also proud to have a diverse range of people representing nationalities from all over the world, with approximately 36 different languages spoken throughout the Group.

FY 23 Group Diversity Figures

GENDER SPLIT

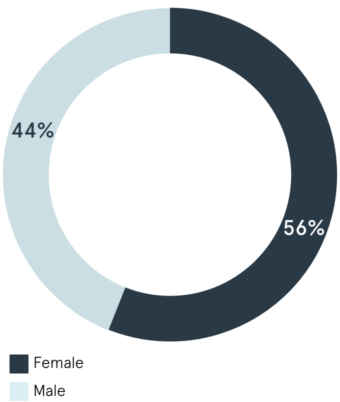


DIVERSITY SPLIT



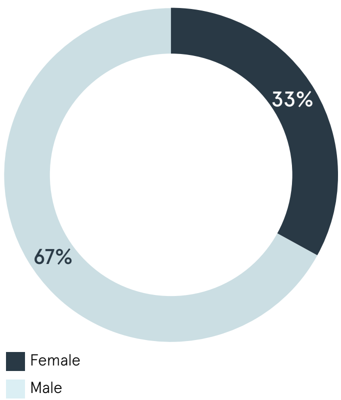
*Other ethnically diverse team member incorporates: Hispanic/Latino, Mixed, Other, Pacific Islander, Native American

GROUPWIDE LEADERSHIP GENDER SPLIT



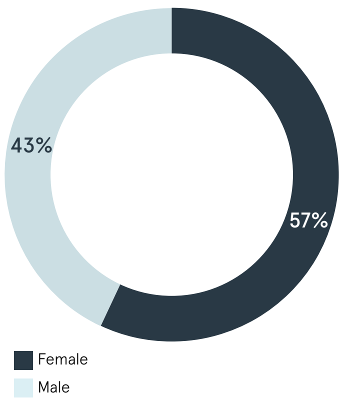
Operating Board, their direct reports and senior management.

GROUP BOARD GENDER SPLIT



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

GROUP EXECUTIVE COMMITTEE GENDER SPLIT



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

Diversity, health, well-being and engagement

Health, safety and well-being

The Group is committed to providing a safe working environment for all its employees that promotes a healthy work–life balance and encourages a positive attitude towards mental health and well-being.

The Group has its own health and safety policy and each Group business has adapted its own version of the policy to make it relevant to its business. Each business has its own appointed health and safety officer who is also a member of the senior leadership team and is responsible for the health, safety and well-being of its employees. Health and Safety Committee meetings are held at least once a year at each Group business and these are an opportunity to review findings from workplace risk assessments or health and safety walkarounds. The Group Board is provided a summary at each Board meeting on the health and safety performance of each business. In 2023, there we no reportable accidents recorded across the Group.

In 2023, we observed a 15% increase in the number of team members participating in the Brand Addition 'ba well-being programme'. Facilisgroup conducted its annual mental health awareness month in May and extended employee access to the 'Calm' app which offers tailored content to help individuals manage stress, anxiety and improve sleep.

Employee engagement

We believe that having an engaged workforce is essential to ensuring that our business continues to thrive and evolve. Throughout the year, we hold meetings, briefings and employee forums to provide team members systematically with information of concern to them as employees, to give them opportunities to ask questions and to achieve a common awareness on the part of all employees on business progress and the performance of the Group. In 2023, we arranged two networking sessions with the Group Board where senior employees across the business had the opportunity to talk with all Directors on various topics in an informal environment. In addition to the briefings and meetings, we host a number of events throughout the year focused on team building, celebrating success and building a supportive and inclusive culture across the Group. For further information on our employee engagement activity please see pages 18 and 34-37.

We conduct employee engagement surveys at least once a year to monitor our performance. In 2023, we achieved an average employee engagement score of 71 across the Group, which is a slight reduction on our 2022 score of 75. In 2024, we will review the feedback and work on actions as appropriate. The results of employee engagement surveys are shared annually with employees through company briefings and newsletters and published annually in our ESG Report.

Training and development

We consider the training and education of our employees an important part of our long-term success. We strive to provide them with the best opportunities to learn and grow in their roles. Our online training platforms offer a variety of courses and materials that cover both essential and optional topics. In 2023, 33 new training courses were added across the Group with a total of 4,097 hours of training completed by our team members.

In September 2023, Brand Addition introduced a pilot mentoring programme. The aim of the programme is to help nurture and grow talent within the organisation, pairing employees with mentors to assist them with their personal development and support them so they can improve and advance. Twelve employees (mentors and mentees) joined the initial programme which will run for six months and, based upon feedback, changes will be made and the programme will be extended in 2024.

Community engagement

1,165hrs

Group volunteering hours during 2023

Volunteering

We partner with charities and good causes to provide local support in a variety of different ways. We encourage our employees to take part in volunteering projects and give them up to two days paid time off to do so. The projects can range from companywide initiatives to supporting smaller community projects. Not only do we see our volunteering activities helping the local community, but we also see a great benefit to our employees. By supporting these projects our team members have the opportunity to learn new skills and broaden their experience to help them learn and grow.

Facilis Cares

Facilis Cares aims to capture the collective spirit and dedication of the Facilisgroup Community to help fulfil the needs of underserved and underprivileged individuals through service and donation.

During the 2023 Partner Summit in Denver, Facilisgroup partnered with Wish For Wheels, a non-profit organisation to build and donate brand-new bicycles and helmets to children in need in the Denver area. Our community of Partners, Suppliers, and Facilisgroup staff worked together and built 30 bikes for a group of happy children.

Facilisgroup also partnered with the St. Louis area foodbank during the summer and was able to donate 20 hours packing boxes, collect 543kg of food, and provide 974 meals to local families in need.

Strengthening links with the local community

Brand Addition continued to strengthen its links to the local community providing further help and support to 'Mustard Tree', a local charity which aims to combat poverty and prevent homelessness by supporting the vulnerable back to work. In H2 Brand Addition offered temporary work placements to help individuals improve their skills and their confidence in the workplace.

Facilisgroup Partner summits

Fostering growth and community within the promotional products industry

Facilisgroup extends beyond the conventional definition of a technology company. Working with its Partners and Preferred Suppliers, Facilisgroup creates a community through which all parties benefit from sharing best practice, collaborating on industry trends and offering exclusive access to events, webinars, training, and networking opportunities to ultimately build a better and stronger industry for all.

In 2023, Facilisgroup organised a Supplier Showcase and two Partner Summits, collectively attracting 1,366 participants. The events provided attendees with invaluable networking opportunities, complemented by thought-provoking workshops and social events. From panel discussions exploring the influence of transformative technology on the industry to workshops dedicated to leadership best practices, guests gained practical takeaways tailored to their businesses and the larger promotional products industry. Facilisgroup will also continue to leverage Partner summits to serve as a dedicated platform, specifically, to increase awareness of the promotional products industry's impact on the environment and to champion actions aimed at mitigating climate change.

Responsible leadership

Responsible sourcing

The Group has a mature vendor management process for product purchases which ensures that all suppliers used are validated through a robust vendor assessment. On-site assessments are mandatory for any product suppliers located in countries deemed higher risk 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 cannot be used. Re-assessments of all suppliers are conducted every two years.

In 2023, Brand Addition undertook a total of 209 vendor assessments of its supplier network. 5 critical non-conformances were identified and 4 suppliers were not approved for use as a result.

We have mandatory compliance clauses integrated into 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.

Product quality and compliance

Customers want to be confident that the products they use to promote their brand are compliant and meet all the necessary regulatory requirements, are free from defects, manufactured through approved supply routes and will not present any safety concerns. If any claims are made related to a product or its materials, customers want to be reassured that these claims have been validated. Product compliance, quality and safety is a non-negotiable requirement.

Brand Addition has a dedicated product compliance function that supports purchasing and merchandising teams to develop product testing plans, undertake product risk assessments, evaluate product compliance documentation and test reports to ensure that products are fit for purpose. For bespoke manufactured products, extensive product testing is undertaken with certified third-party laboratories to ensure that products do not contain hazardous substances and products have been tested for typical use cases.

“ISO27001 certification achieved in 2023.”

Information security and data protection

Information security and data protection is an essential part of our Group IT strategy. We recognise that cyber threats are constantly evolving and pose a risk to all businesses. We remain aware and vigilant about these risks and are committed to ensuring that we have robust processes and systems to protect the data that we process and uphold high standards in data ethics and security.

We adopt a risk-based approach to identify, assess, and mitigate the cyber risks that may affect our business.

We invest in the technology and solutions to protect our network, data, services, and hardware from unauthorised access, misuse, or damage. We monitor and test our security controls and systems regularly to minimise the possibility of any potential incidents.

We educate and train our team annually on the importance of cybersecurity and privacy, and foster a culture of security awareness and responsibility across our organisation.

We aim to follow best practice to ensure compliance with relevant laws and regulations in the countries where we operate. As a Group, we are committed to collecting, processing and analysing data, in line with data privacy legislation, and we work closely with our suppliers, customers and Partners to ensure that data and its use is compliant with applicable legislation. During 2023, the Group team developed a new IT security incident response plan for implementation across the Group.

Alignment with international standards and certifications

Ecovadis

Our Brand Addition business retained its Platinum Ecovadis rating for a fourth year, positioning the business within the top 1% of similar companies in its approach to sustainability. Being an independent evaluation and rating platform, we are proud of our industry leading score which reflects the Group’s focus and commitment to sustainability.

Carbon Disclosure Project (CDP)

Brand Addition makes an annual submission to 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 2023 assessment, Brand Addition improved its CDP rating from a ‘C’ to a ‘B’, reflecting its continuing efforts to tackle climate change, embedding climate-related risks into the risk management process and advancing its carbon reporting, tracking and disclosures.

ISO management systems

In 2023, Brand Addition expanded the reach of its ISO9001 (quality management) certification to cover all of its main locations, this has allowed all of the sites to align its key processes and procedures across the business enhancing business efficiencies and continual improvement. ISO14001 was also expanded to cover all of our key warehouse locations. Brand Addition also achieved ISO27001, demonstrating compliance of its information security management system with an international standard.

Non-Financial and Sustainability Information statement

This section of the Strategic report constitutes the Group's Non-Financial and Sustainability Information statement to comply with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Task-force on climate-related financial disclosures (TCFD)

In our Annual Report 2022, we made our first TCFD disclosure detailing the climate-related risks and opportunities (CRROs) that our Group faces to help stakeholders and investors make informed decisions about our business. This year we have updated our disclosure to reflect any changes in our priorities and actions to strengthen how we address and mitigate the climate-related risks and take advantage of the opportunities that have been identified from our assessment.

The updated assessment did not reveal any new or increased CRROs and of the CRROs identified, none have been deemed to have a material or significant impact on the financial performance of the business. Where risks have been identified, the impacts remain low, with the highest potential for impact being experienced following Scenario 'A' (early and orderly policy action – smooth transition) but only over the long-term, mainly affecting our Brand Addition business. Although we see demand increasing for more sustainable products and stakeholders increasing the level of business scrutiny we are well placed based upon the actions and pro-active steps we have in place to minimise and mitigate any significant impacts.

Climate-related risks and opportunities

CRROs have been fully integrated into the risk management process and are considered alongside all of our potential business risks. With the introduction of TCFD we updated our over-arching risk management framework to consider not only the longer term risks but how different climate-related scenarios may also impact the business and how these risks could be mitigated.

CRROs are assessed and updated twice per year as part of the risk management process and the Audit Committee provides oversight of climate-related risks as part of its integrated risk review.

This year we have continued to develop our climate-related scenarios, expanding them to include possible Group outcomes and how they would impact the business. Transitional risks pose the greatest risk to the business but at this stage we do not believe that any of the risks identified would have a material impact on the business. In our assessment we did identify some areas of risk but as our businesses does not directly manufacture products, we are somewhat shielded from any material impacts. Where risks have been identified, steps are already in place to minimise the impact.

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.

Scenario planning

The table below details the three different climate-related scenarios that we have used to assess the possible transitional and physical impacts that may occur as a result of each scenario. These scenarios have been developed in line with publicly available data from: 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.

Scenario A	Scenario B	Scenario C
Early and orderly action (No greater than 2°C rise)	*Late and disorderly action (No greater than 2°C rise)*	*No change to current situation (Greater than 3°C rise)*
Early committed action by society to reduce global emissions. Co-ordinated polices and legislation immediately implemented towards a low carbon economy intensifying over time. Action taken is sufficient to limit global warming to less than 2°C in line with Paris agreement.	Delays in implementing policy needed to reduce global emissions until 2031. Sudden and disorderly policy changes to compensate for a late start to transitioning to a low carbon economy. Global warming is limited to 2°C in line with the Paris agreement, but transition starts much later.	Governments fail to introduce additional policies to address climate change resulting in ambitions falling behind Paris agreement targets. Global temperatures increase above 3°C.
	Group transition risks	
Increasing levels of demand for sustainable products. Customers focus on high quality goods rather than low-cost items. Increasing pressure from stakeholders for businesses to demonstrate tangible steps towards reducing carbon emissions and minimising environmental impact. Increasing regulations, frameworks and reporting requirements for businesses. Customers require increased levels of transparency and disclosures to avoid greenwashing and lowering emissions. Increasing costs related to energy and carbon offsets as more businesses look to meet net-zero commitments.	Reduced short term action and less pressure put on businesses to switch to sustainable products. Rapid cost increases due to fast sweeping changes related to energy transportation and the use of non-environmentally friendly materials. Reduced demand for promotional products and services as customers look for more cost-effective ways to promote their brand, when policy changes are introduced. Significant and rapid changes to regulations opening up businesses to litigation risks and shareholder dissatisfaction.	Regulations reduce around the environment and climate change. Demand for sustainable products plateaus as customers switch back to lower cost non sustainable materials adding to problems with waste and pollution. Energy costs start to increase as fossil fuels become less readily available.
	Group physical risks	
Slow rise in the number of extreme weather events causing minor disruption to travel routes or production. Damage to crops making manufacturing more difficult, resulting in production shortfalls and / or price increases.	Rapid acceleration in the number of extreme weather events occurring, leading to production and travel disruption. Increasing costs of raw materials and lack of availability of certain products. Increased customer frustration due to missed delivery dates and stock availability.	Severe impacts from extreme weather events, unpredictability in transport routes and production. Shortages of raw materials and huge price increases and volatility making certain products no longer viable. Instability in global markets and countries as economies suffer from prolonged extreme weather events. Political and social unrest.

Non-Financial and Sustainability Information statement

Highest scoring climate-related risks and opportunities

The table below details the highest scoring risk categories as identified from our CRROs assessment and the mitigating actions that we have in place or the steps we are taking to continue to monitor and minimise the impact. Each risk is considered against each climate-related scenario and three different time frames; short (1 year), mid-term (2-5 years) and long-term (6-10 years).

RISK TYPE	SUMMARY OF MITIGATING ACTIONS
TRANSITIONAL	
Changing customer behaviour – Changes in customer behaviour may affect the types of products and services required to support promotional activity. – Demand may reduce for low-cost promotional goods or move to more online offerings.	Clear ESG strategy and action plan to meet the changing needs of our stakeholders. Dedicated sustainability team to support the transition to a low carbon economy. Close working relationships with customers to ensure that we are aligned with their future sustainability needs.
Uncertainty in market signals and increased cost of raw materials – Uncertainty in the market may make it more difficult to meet customers' requirements around climate change and will result in more problematic product sourcing to meet customer demand and customer transparency requirements. – Increasing costs of certain raw materials may make certain products no longer viable and increases in energy process may further increase the cost of goods and delivery.	Creative services and account management teams work with customers to find innovative products to meet budget needs to help mitigate raw material cost increases.
Shifts in customer preferences / expectations – Failure to act quickly to changing customer preference and expectation is likely to result in customers sourcing their goods and services from elsewhere.	Clear ESG strategy and action plan to meet the changing needs of our stakeholders. Dedicated sustainability team to support the transition to a low carbon economy.
Increased stakeholder concern or negative stakeholder feedback – Failure to act quickly to changing customer preference and expectation is likely to result in customers sourcing their goods and services from elsewhere.	Regular and ongoing stakeholder engagement ensures that we are aligned with the needs and expectations of our stakeholder groups. Evaluation and certification to recognised standards and ratings such as Ecovadis, CDP, ISO9001, ISO14001 and ISO5001 to demonstrate a best practice approach.
PHYSICAL	
Increased severity of extreme weather events – Not embracing a low carbon economy is likely to result in customers and stakeholders becoming disinterested in the business and the inability to attract new customers or investors.	Location planning built into product sourcing and manufacturing to mitigate against the risk of disruption due to extreme weather events. Robust supply chain with second source alternatives to quickly adapt to changes.
OPPORTUNITIES	**CURRENT AND FUTURE ACTIONS**
Product sustainability – Providing customers access to more sustainable products, whether this is through advising customers on sustainable alternatives or showcasing sustainable products or suppliers. – Where sustainable products are offered, we work with our supply chain to validate product sustainability claims to prevent greenwashing. – Being dynamic and flexible allows us to meet customer needs and back up claims with evidence, building long lasting relationships with customers based upon honesty and trust. – Being able to meet the sustainability needs of larger businesses may lead to additional new business wins and also reduce the demand of non-sustainable materials reducing the environmental impact.	Providing innovative products and solutions to meet the sustainability needs of our customers, through a validated supply chain. Supporting customers with advice and expertise to develop future product ranges or bespoke products made from sustainable materials to meet the growing needs of their businesses.
Shifts in customer preference – As customers and Partners become more aware of the impact of climate change and how this affects their brand there will be a shift to ensure that they are partnered with the right business partner. – Having a robust ESG strategy and clear climate reduction targets may offer a competitive advantage strengthening existing relationships and attracting new business.	Having a clear ESG and sustainability strategy aligned with our stakeholders helps to retain existing customers and win new business opportunities as customers seek to partner with customers who can support their changing needs.

TCFD disclosure table

RECOMMENDATION	RESPONSE	DISCLOSURE LOCATION
GOVERNANCE		
a) Describe the Board's oversight of climate-related risks and opportunities	The Group Board has overall responsibility for ESG and provides oversight of the ESG strategy and actions related to the CRROs identified by the Group. The Group Board reviews progress against the ESG strategy every six months as part of its strategy review meeting. The Group Board is supported by the Audit Committee who provides oversight of the TCFD CRROs assessment as part of its integrated risk review. The Senior ESG officer reports to the Group Board at least annually on progress against the ESG strategy and goals and provides specific updates on environmental performance, including any CRROs. ESG is a standing agenda item at the Group Executive Committee.	Page 64 in our Corporate Governance section
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 ESG strategy including the assessment of any CRROs identified by the Group. The Senior ESG Officer holds meetings with the Divisional Leads of each business every two months to review operational progress in relation to agreed ESG objectives, including any CRROs. The Operating Boards of Facilisgroup and Brand Addition meet monthly and each maintain its own risk registers, including any CRROs. The risk registers are reconciled against the Group's risk register twice per year in advance of review by the Audit Committee.	Page 64 in our Corporate Governance section
STRATEGY		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term	The CRROs assessment has identified a number of physical and transitional risks, however none of the risks are seen as significant or likely to have a material financial impact on the business. Where risks have been identified, proactive steps are already being taken as part of our ESG strategy and continual improvement activities. Transitional risks are most likely to have the greatest impact to the business related to changes in customers behaviour over the long-term as we transition to a low carbon future, however this also creates an opportunity as we are well positioned to support customers to develop more sustainable products. Through our ESG efforts and the steps we are taking to 'Advance Sustainability' we see this as an opportunity to strengthen our business. Our ESG strategy commits us to take positive action on climate change. By having a robust strategy we strive to differentiate our business from our competitors, supporting our customers in the transition to a low carbon economy.	Page 42 in our Non-Financial and Sustainability Information statement section
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	The impacts of any CRROs identified by the Group are described in the risk management section of this Report and in the table identifying all of the possible risks associated with each scenario, and how this may impact the Group. At present, none of the CRROs that we have identified or have proactively taken action against have significantly impacted the Group's strategy or financial planning. The Group's ESG strategy is reviewed and approved annually by the Group Board and where necessary changes can be made to the strategy to ensure that any CRROs are pro-actively addressed. The risks identified from our assessment remain low and any future impacts seen are likely to occur under 'scenario A' (early and orderly policy action – smooth transition) over the long-term (6-10 years).	Page 42 in our Non-Financial and Sustainability Information statement section Page 57 in our Risk section

Non-Financial and Sustainability Information statement

TCFD disclosure table – continued

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	The Group developed three scenarios in line with publicly available data and reports to assess the possible CRROs the Group may face in relation to each scenario. Where risks were identified mitigating actions have been implemented or are being implemented to ensure that the impact remains as low as possible.	Pages 41-42 in our Non-Financial and Sustainability Information statement section
	The CRROs are regularly assessed (every six months, as a minimum) against the climate-related scenarios which helps proactively implement actions and build resilience against each scenario, ensuring that any changes are reflected in the Group's strategy and goals. The climate-related risks identified do not pose a significant risk to the business over the developed scenarios.	Pages 52-53 in our Risk section
RISK MANAGEMENT		
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 from publicly available data to help develop an understanding of the climate-related risks the business may face, internal brainstorming exercises, stakeholder engagement and discussion. Risks are also raised through internal discussion, individual business risk registers, the Group risk register or the Group Executive Committee.	Page 40 in our Non-Financial and Sustainability Information statement section
	Each risk identified is reviewed against three different climate-related scenarios and timescales to assess the potential likelihood and impact on the business to ensure that priority is given to the highest risk. The assessment is led by the Senior ESG officer with support from the Group Financial Controller and the Managing Directors of Facilisgroup and Brand Addition.	
b) Describe the organisation's processes for managing climate-related risks	Emerging and identified risks are continually monitored and managed through the Group's risk management framework, described in the risk section of this Report. All risks are prioritised and assigned an owner who is responsible for the management and implementation of any actions.	Page 52 in our Risk section
	Risk reviews are undertaken biannually with each Group business and any changes or updates are discussed and reflected in the Group risk register. The Audit Committee formally reviews and approves the Group risk register twice yearly.	
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management framework	Climate-related risks are considered at the same time as all other business risks and scored in the same way allowing them to be fully integrated into the overall risk management framework.	Page 57 in our Risk section
METRICS AND TARGETS		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	• Absolute GHG emissions • Progress towards 100% renewable electricity • Carbon intensity • Energy consumption	Pages 30-31 ESG section
b) Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas (GHG) emissions, and the related risks	GHG emissions table covers GHG emission inventory of all relevant Scope 1, Scope 2 and Scope 3 emissions	Pages 30- 31 ESG section
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	• 100% renewable electricity by 2025 • Net-zero in our direct operations by 2030 (Scope 1 and Scope 2 emissions) • Prioritise the reduction of Scope 3 emissions	Pages 27-29 ESG section

Key performance indicators

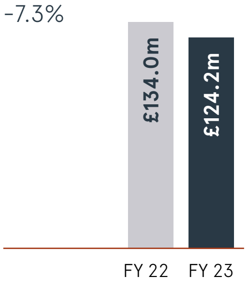
Measuring our performance.

Group

REVENUE

£124.2m

-7.3%



Why we measure it
Monitoring year-on-year revenue growth provides an indication of progress against both short-term plans and long-term strategy.

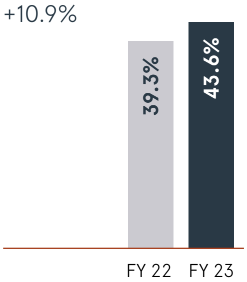
Comment
Whilst Facilisgroup grew revenue in FY 23, revenue at Brand Addition reduced, principally driven by lower budgets of our clients who operate in the Consumer and Technology sectors. This resulted in an overall £10m reduction in Group revenue.

Importantly, behind this sector specific effect on revenue, client retention at Brand Addition and Partner retention at Facilisgroup was excellent.

GROSS PROFIT

43.6%

+10.9%



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

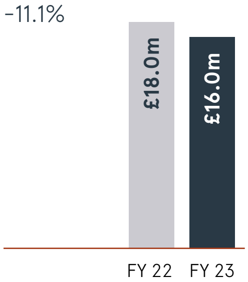
Comment
The increase in gross profit percentage reflects both the increased revenue weighting of Facilisgroup, our higher margin business and an improvement in Brand Addition gross margins.

The latter is a combination of client mix and implemented pricing initiatives at Brand Addition that supported the costs of additional services delivered to our clients.

ADJUSTED EBITDA[1]

£16.0m

-11.1%



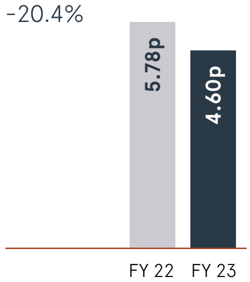
Why we measure it
Year-on-year Adjusted EBITDA trends provide an indication of progress against both short-term plans and long-term strategy. Management believes this adjusted measure is appropriate in understanding the underlying trading performance of the business.

Comment
EBITDA fell by £2m in FY 23. The improved gross profit margins helped to mitigate, in part, the reduction in Group revenue.

BASIC ADJUSTED EARNINGS PER SHARE[2]

4.60p

-20.4%



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

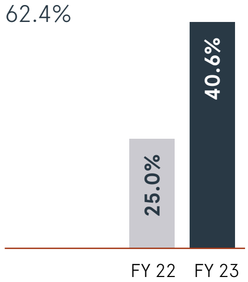
This measure illustrates the profitability of the Group in relation to the number of shares in issue and is therefore an important metric in demonstrating the delivery of value for our shareholders.

Comment
Basic Adjusted earnings per share were 4.60p against 5.78p in 2022, reflecting the lower level of profitability and increased amortisation from investment made into new products in Facilisgroup.

OPERATING CASH FLOW CONVERSION

40.6%

62.4%



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 increase compared to FY 22 is driven by working capital as a result of lower volumes at Brand Addition, and careful management of working capital investment.

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

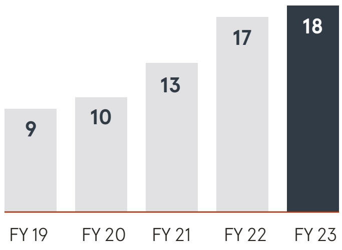
Key performance indicators

Group companies

Facilisgroup

RECURRING REVENUES – HIGH VISIBILITY OF RECURRING REVENUES WITH A GROWING CUSTOMER BASE

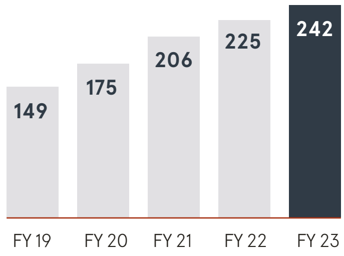
REVENUES £'m



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

Comment
Revenues increased by 8% GBP (9% in home currency of USD) in FY 23, driven by an increase in subscription fees. The rate of growth was lower than in the prior year (FY 22: 31% GBP, 17% USD) due to lower GMV growth which impacts that proportion of our revenue which is received through activity between our Partners and Preferred Suppliers. Recurring revenues comprise 95% of Facilisgroup revenues in FY 23 (FY 22: 93%).

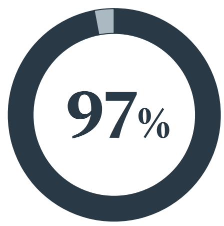
PARTNER NUMBERS



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
Partner numbers increased to 242. Further investment has been made to continue the business' excellent Partner retention levels and in the sales team to responsibility grow this metric.

PARTNER RETENTION RATE %

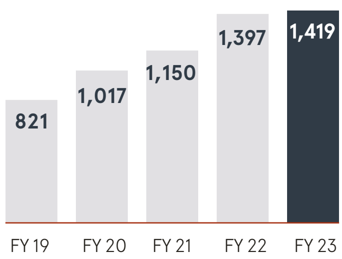


Why we measure it
Understanding attrition and the reasons for it is key to our Partner growth strategy. We focus on maximising retention of existing Partners, in addition to growing new.

Comment
Retention of 97% 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

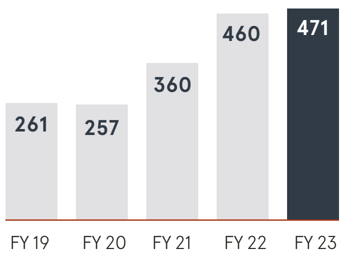
GROSS MERCHANDISE VALUE $'M



Why we measure it
Tracking the value of sales processed through our technology (GMV) 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 $1,419m GMV, an increase of $22m on FY 22, driven by new Partners.

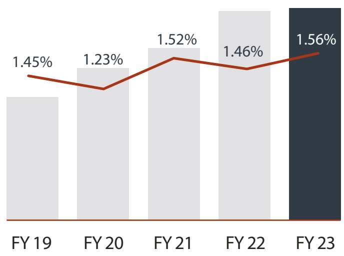
PREFERRED SUPPLIER PURCHASES $'M



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 slightly by $11m in FY 23 to $471m, being a slower rate of growth and a reflection of our Partner GMV.

ATTACH RATE %



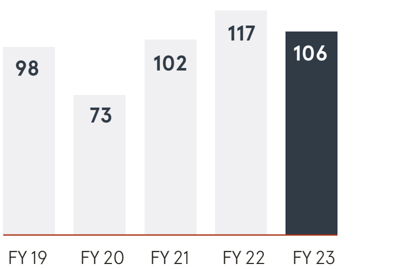
Why we measure it
The attach rate shows ARR as a percentage of GMV. Driving purchases through the preferred network, and the sale of additional products and services will result in an increase in the attach rate.

Comment
The attach rate has increased to 1.49% in FY 23 from 1.36% in FY 22, driven by an increase in management fee revenue from FY 22 to FY 23 on a flat GMV.

Group companies
Brand Addition

REVENUE ANALYSIS – WIN, GROW, RETAIN, REPEAT

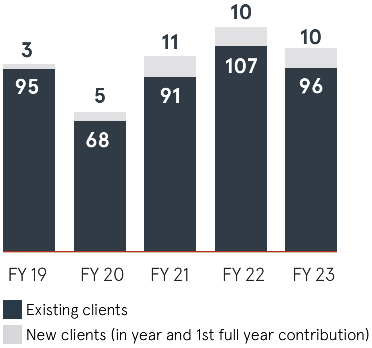
REVENUE £'M



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

Comment
The revenue reduction in FY 23 was principally driven by the spend of several of our clients which operate in the Technology and Consumer sectors, whilst revenue from our clients in the Engineering and Transport sectors has been more robust. Client retention has remained strong.

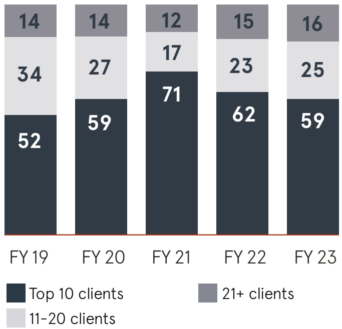
REVENUE BY EXISTING AND NEW CLIENTS £'m



Why we measure it
Brand Addition has excellent levels of client retention. Retaining and growing existing clients, while successfully implementing new business is fundamental to its growth strategy.

Comment
The reduction in revenue from existing clients is the result of spend from our Technology and Consumer clients. New business includes £7.9m generated from clients won in FY 22.

REVENUE BY CLIENT CONCENTRATION %

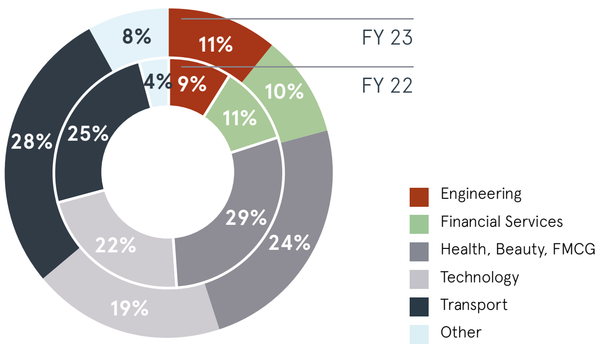


Why we measure it
Brand Addition tracks revenue by client concentration as success of larger clients is central to delivering on our strategy of Win, Grow, Retain, Repeat. We also recognise the importance of not being over reliant on a small number of customers.

Comment
The top 10 clients contributed 59% of total revenue in FY 23 (62% in FY 22), with no one client contributing more than 12% of revenue.

REVENUE DIVERSITY – STRONG SECTORS ACROSS MULTIPLE GEOGRAPHIES

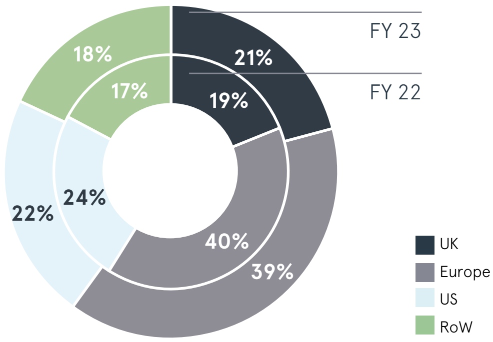
REVENUE BY CLIENT SECTOR %



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

Comment
The changes reflect the reduced activity from our clients that operate in the Technology and Consumer sectors and the more robust performance from clients that operate in the Engineering and Transport sectors, which has helped to soften this impact.

REVENUE BY DESTINATION %



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

Comment
Revenue by destination shows a similar trend to FY 22 and continues to be well diversified.

Chief Financial Officer's review

A year of challenge and progress.

Claire Thomson
Chief Financial Officer (CFO)

The challenging macroeconomic backdrop to FY 23 impacting the Technology and Consumer clients of Brand Addition, overshadowed continued strategic progress at Facilisgroup.

Overview

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

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

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

Revenue

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

Gross profit

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

Adjusted EBITDA

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

- Facilisgroup; £0.1m reduction as incremental revenues were invested in sales and marketing to continue to drive sales growth. The business has excellent EBITDA returns of circa 50% demonstrating its ability to retain strong margins whilst growing revenue;
- Brand Addition; £2.0m reduction as the volume reductions and investment in business services discussed above translated to EBITDA; and
- Central costs; £0.1m reduction in costs in the year as incremental advisors' fees were offset by a reduction in payroll costs as no bonuses were payable in respect of FY 23.

Depreciation and amortisation

The total charge in the year was £7.5m (FY 22: £6.5m), of which £5.2m (FY 22: £4.2m) related to the amortisation of intangible assets. In accordance with IAS 38, the Group capitalises the costs incurred in the development of its software and the increase in the year is primarily a result of the Group's stated decision to increase capital expenditure in its proprietary technology at Facilisgroup.

Share based payments

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

Operating profit

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

Finance costs

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

Taxation

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

Earnings per share

The earnings per share analysis in note 10 covers both adjusted earnings per share (profit attributable to equity shareholders before amortisation of acquired intangibles, share-based payments charge and exceptional items divided by the weighted average number of shares in issue during the year), and basic earnings per share (profit attributable to equity holders divided by the weighted average number of shares in issue during the year). Adjusted earnings was £7.7m (FY 22: £9.7m), meaning adjusted basic earnings per share was 4.60 pence per share (FY 22: 5.78 pence per share), a decrease of 1.18 pence per share. Basic earnings per share was 3.46 pence per share (FY 22: 4.55 pence per share), a decrease of 1.09 pence per share.

Dividends

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

Chief Financial Officer's review

Cash flow

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

Cash flow for the year is set out below:

£'m	FY 23	FY 22
Adjusted EBITDA	**16.0**	18.0
Movement in working capital	**0.7**	(3.4)
Capital expenditure	**(8.6)**	(7.4)
Deferred consideration	**–**	(1.0)
Leases	**(1.6)**	(1.7)
Operating cash flow	**6.5**	4.5
Tax paid	**(2.5)**	(1.7)
Net finance cash flows	**(0.6)**	(0.5)
Dividend paid	**(1.0)**	–
EBT purchase of own shares	**(0.4)**	–
Exchange (loss)/gain	**(1.2)**	0.7
Net cash flow	**0.8**	3.0

Operating cash flow

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

Balance sheet and shareholders' funds

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

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

Non-current assets

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

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

Amounts classified as goodwill and customer relationships relate to historic acquisitions made by the Group. Software development costs, which include £5.7m (FY 22: £5.1m) investment in the year into Facilisgroup technology products, arise from ongoing investment into Group proprietary software and, in particular, investment into the Facilisgroup digital commerce platform to ensure that existing technology remains market leading and differentiated from our competitors, alongside the development of new products that will support our medium-term growth plans. The costs are capitalised in accordance with IAS 38 and amortised over the period which the Group expects to generate benefit from the development. As we have previously indicated, FY 23 was the intended peak point of our investment into the Facilisgroup platform and moving forward, we expect the level of investment to reduce. Property, Plant and Equipment primarily comprises the costs of Right-of-Use assets capitalised in accordance with IFRS 16 "Leases".

Working capital

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

Lease liabilities

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

Other net liabilities

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

Alternative Performance Measures (APMs)

Throughout the Annual Report and related statements, the Group has used a number of APMs as key performance indicators in addition to those reported under IFRS. These are used to provide additional clarity to the Group's underlying financial performance and are used internally by management to monitor business performance, in its budgeting and forecasting and also for determination of Directors' and senior management remuneration. These APMs are not defined under IFRS and, therefore, may not be directly comparable with adjusted measures presented by other companies. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance. However, they are considered by management to be important measures used in the business for assessing performance. They have been consistently applied in all years presented.

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

Adjusted EBITDA which means operating profit before depreciation, amortisation, share-based payments charge and exceptional items. Refer to note 11 for reconciliation.

Adjusted operating profit which means operating profit before amortisation of acquired intangible assets, share-based payments charge and exceptional items. Refer to note 11 for reconciliation.

Adjusted operating profit less finance costs which means adjusted operating profit before tax, amortisation of acquired intangible assets, share-based payments charge and exceptional items. Refer to note 11 for reconciliation.

Adjusted earnings which means profit attributable to equity shareholders before amortisation of acquired intangible assets, share-based payments charge and exceptional items. Refer to note 11 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.

Claire Thomson
Chief Financial Officer
18 March 2024

Robust and responsible risk management.

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 its responsibility for the review and approval of the Group's risk profile and risk register to the Audit Committee.

The Audit Committee considers the nature and extent of principal risks to the Group's achievement of its strategic objectives and any related opportunities. It ensures that all principal risks have been properly identified and that appropriate mitigating actions and controls are implemented.

The Audit Committee also reviews the Group's internal controls. It considers reports from the Group's management on the effectiveness and integrity of the Group's internal control and risk management systems. The CFO and the Group Financial Controller also update the Committee on progress against the Group's internal audit and risk plan.

Each year, the Committee considers whether there is a need for a separate internal audit function and makes its recommendation to the Group Board for approval.

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

Group Executive Committee and Operating Boards

Risk identification and monitoring is an iterative process that facilitates early identification and escalation of risks. The Group's strong governance and communication structures ensure effective risk management and mitigation.

The Group Executive Committee discusses 'Risk Management and Compliance' as a standing agenda item at each monthly meeting. Divisional Leads escalate any new actual or potential risks so that such risks can be discussed by the Committee and any required amendments to internal controls can be considered. Risk and compliance-related policies and procedures are also reviewed and discussed by the Group Executive Committee before presentation to the Audit Committee and/or Group Board for annual approval.

The Operating Boards of Facilisgroup and Brand Addition meet monthly. Each business maintains its own risk register, which is reviewed against the Group's risk register twice a year before review by the Audit Committee, as described above. Each Operating Board discusses 'Risk Management' as a standing agenda item at each monthly meeting, where 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, facilitates effective decision-making throughout the Group.

Risk Management Framework

Evolution of the risk management framework

We continue to review and evolve the Group's risk management framework to ensure it reflects best practice.

In 2023, the Group expanded its risk scoring criteria to take into account the potential impact of a risk on EBITDA (in addition to the revenue impact) and improve its assessment of risk. In addition, our Group Head of Tax introduced a new sub-register of granular tax risks faced by the Group so that tax risks could be evaluated and monitored more closely.

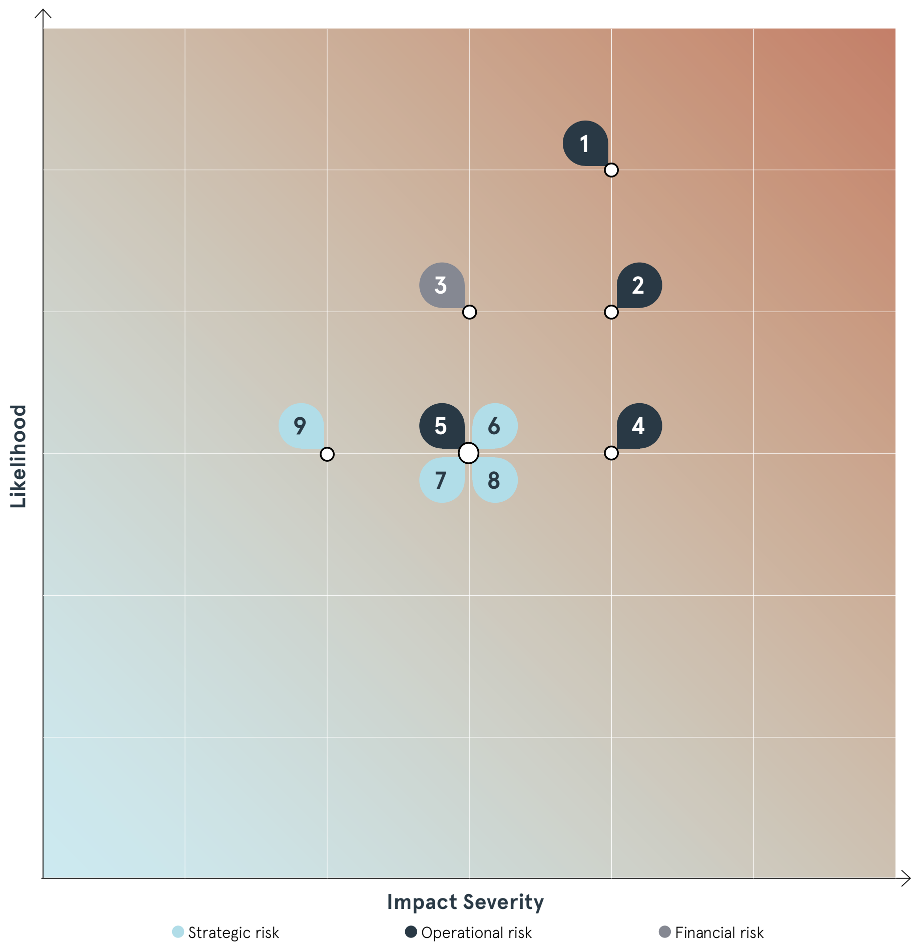
Risk Ownership

To ensure effective and accountable management of individual risks, each risk identified on the Group's risk register is assigned to the CEO or CFO as the risk owner. The owner is ultimately responsible for the ongoing monitoring, review and mitigation of individual risks.

Key risks

The Group Board has identified the risks listed below as currently being 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. We have indicated the primary categorisation of each risk (financial, strategic or operational), although the Group Board acknowledges that some risks span multiple categories.



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

Risk management

Summary of key risks

Risk and potential impacts	Mitigating activities

1. Breach of IT security or cyber-attack

The incidence and sophistication of cybersecurity threats and breaches continue to increase, affecting businesses across the globe.

IT security breaches, computer malware and other cyber-attacks could result in the 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.

In 2023, the Group developed new IT security incident response plans and Brand Addition obtained global ISO27001 (information security, cybersecurity and privacy protection) certification. Facilisgroup is targeting SOC2 information security certification in 2024.

During 2023, the IT infrastructures of the Group and Brand Addition were separated. The separation of the IT infrastructures of the Group, Brand Addition and Facilisgroup reduces the likelihood of a cyber incident severely impacting the Group and each of its businesses simultaneously.

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 can recover with limited interruption.

Change to risk
No change

2. Global supply chain disruptions

The Group must be prepared for the potential impact of disruption to global supply chains caused by factors outside of the Group's control, including geopolitical events, armed conflicts, terrorism and pandemic outbreaks.

The number of global regions affected by actual or potential geopolitical instability or conflict continues to increase, including regions of Ukraine (due to its conflict with Russia), the Middle East (including conflicts in Gaza and piracy in the Red Sea) and East Asia (including tensions between Taiwan and China).

Continuation or escalation of such incidents could cause disruption to global supply chains, impacting their availability, reliability and operational costs. This could result in the loss or cancellation of sales, which could affect the Group's financial targets.

The Group has a proven ability to react swiftly in response to global supply chain disruptions and manage its flexible cost base to remain profitable and cash-generative. The experience and know-how gained in dealing with previous periods of disruption (including those relating to Brexit and COVID-19) have put the business in a stronger position to handle any future supply chain challenges.

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

The Group maintains business interruption insurance.

The Group's suppliers span several geographic regions and the Group can divert supply across its infrastructure should an incident arise in a particular region.

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
Increased

Risk and potential impacts	Mitigating activities

3. Macroeconomic environment

There remains a degree of macroeconomic uncertainty due to several factors including ongoing armed conflicts and geopolitical instability in various regions of the world.

Interest rates, raw material prices and energy costs remain relatively high. Shipping costs have also increased globally and remain uncertain given ongoing risk of piracy and terrorism affecting shipping in the Red Sea region.

Whilst the risk of a general global economic downturn remains relatively high, the Group believes that the risk it faces continues to be sector-specific. As explained on page 47 of this Report, the Group's clients in the Technology and Consumer sectors were particularly impacted in FY 23.

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 is profitable and cash generative and has consistently proven its ability to be so despite demand fluctuations 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. The flexibility of the operating model below gross margin allows the business 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
Increased

4. 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 impact the Group's ability to deliver its goods and services, thereby affecting its reputation and ability to meet its financial targets.

The Group has an experienced and skilled IT team, 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 regularly monitored and updated by the IT and Operations teams.

Change to risk
No change

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 or workforce disputes) could reduce the Group's ability to receive and process orders and provide products to its clients. This could result in the 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 simultaneously affected by the same event. The business can also divert supply across its infrastructure should an incident arise in a single location.

The Group has business continuity and disaster recovery plans 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 warehouse operations and therefore its revenues are not impacted by this risk.

Change to risk
No change

Risk management

Risk and potential impacts	Mitigating activities

6. Concentrated client base

Brand Addition's core strategy is to win, grow, and retain multi-country outsourced contracts, as detailed in page 17 of this Report.

However, Brand Addition has a relatively small number of key clients and, in FY 23 generated 50% of Group revenue from it's 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 48% share of FY 23 Group Adjusted EBITDA means that the impact of losing a key Brand Addition client on Group Adjusted EBITDA would be much reduced.

In addition, the 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

7. Retaining and attracting key personnel

Attraction and retention of experienced and skilled personnel remains critical to achieving the organic growth plans on page 17 of this Report.

Whilst inflationary pressures on wages remained in FY 23, the Group experienced improved availability of skilled labour compared with FY 21 and FY 22.

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

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

We offer competitive compensation packages that are reviewed regularly, and we routinely survey our employees to monitor 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
No change

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 cannot 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 enhance its existing products and services continually.

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. In FY 23, Brand Addition invested in a leading warehouse management system, which aims to bring greater efficiencies and reporting capabilities for its warehouse operations. The system is due to go-live across UK and German warehouse sites in FY 24.

Change to risk
No change

Risk and potential impacts	Mitigating activities

9. Climate change

Risk and potential impacts

Climate change presents several risks to the business, which are further analysed on pages 40-44 of this Report.

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 increase 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 a wider range 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, customer retention, and the Group's ability to meet its financial targets.

Mitigating activities

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 minimise our environmental impact.

Our actions and commitments are set out in the ESG section of this Report on pages 26-44 and also in our 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, our purpose 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, stakeholder engagement, the Section 172(1) Statement, ESG overview, key performance indicators, the CFO's review and risk management) was approved by the Group Board and signed on its behalf by:

Christopher Lee
CEO
18 March 2024

Chair's introduction to governance

Enhancing our good governance.

Our Values in action:

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.

"We are proud to have achieved The RACE Equality Code Quality Mark as a demonstration of our clear commitment to DEI."

Richard Law
Chair and Independent Non-executive Director

Governance Highlights

- Appointment of new Non-executive Director enhancing the Group Board skillset
- Being awarded The RACE Code Quality Mark Accreditation, providing third party affirmation of our DEI approach and strategy
- Brand Addition achieving global ISO27001 (information security, cybersecurity and privacy protection) certification

Welcome to the corporate governance report for the year ended 31 December 2023.

As Chair of the Board, I am responsible for corporate governance within the Group. The Board places a high priority on effective governance and I work with our Group General Counsel and Company Secretary to ensure that our governance structure, policies and processes reflect best practice and are embedded into our Group's culture.

The Group Board believes that good corporate governance creates shareholder value and builds engagement and trust with our teams, customers and suppliers. It does this by demonstrating our strong values and supporting sustainable growth whilst minimising risk.

We look to enhance our sound corporate governance grounding by focusing on embedding it into our culture and continually monitoring the Group's governance framework and practices against any: (i) changes in our businesses over time; (ii) changes in official standards; (iii) developments in best practice guidance; and (iv) our stakeholders' expectations. I therefore oversee a formal internal review of the effective operation of the Group Board, its Committees and their oversight of our businesses on an annual basis.

In addition, the Board engages experts where we believe doing so will enhance our governance approach, for example, our ongoing appointment of Executive remuneration advisors and consultants on DEI.

During 2023 the key governance related developments were:

- Successful recruitment and induction of a new Non-executive Director to address the identified need for specific technical skills around 'Digital technologies and SaaS' on the Group Board
- Establishing a Group level DEI Steering Committee
- The successful completion of the RACE Code Quality Assessment to affirm our DEI approach
- The development of a new Group DEI strategy to create structure and direction for our businesses
- Embedding our Framework on Conduct, Ethics and Compliance in our businesses with training for all employees designed to cascade the Board's culture, integrity and expectations across the entire business and empower our employees
- Creation of a new corporate authorities structure and documentation to be adopted by each Group subsidiary
- Introduction of a biannual policy audit led by Group to ensure all policies adopted are being implemented and embedded well within our businesses
- Development of new IT security incident response plans across the Group and achieving ISO27001 accreditation in Brand Addition globally, demonstrating its commitment to maintaining robust information security policies and practices

During 2023, time was also dedicated to:

- Continued focus on succession planning and talent identification and development. Investment will continue throughout 2024 with activities and progress overseen by the Board's Nomination Committee
- Our Senior ESG Officer taking a pro-active approach to staying updated on the changing ESG landscape through events and training, with the aim of adapting our ESG policies and reporting requirements to align with best practice
- Direct Group Board engagement with our employees in the form of two employee engagement events held in Manchester and London. Directors spent time with our teams and had the opportunity to develop a deeper knowledge and understanding of the Group's business and those who work within it. I also make a point of chatting to and engaging directly with our teams in offices around the world whenever I visit

Our Group Board members have extensive knowledge, skills and experience and remain 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: new laws and regulations, new governance code requirements and consultations on issues such as DEI and reporting.

On 22 June 2023 we strengthened our Group Board when David Moss joined as an additional independent Non-executive Director. David co-founded Blue Prism and has significant technology experience from his time there as Chief Software Architect. Given the gap in specific Group Board 'Digital technologies and SaaS' technical skills identified through the operation of our governance monitoring activities in 2022, it is expected that David will add value to the Group Board and help support in the execution of Group strategy to the benefit of all stakeholders. David is a member of the Remuneration and Nomination Committees.

The Company has applied the Corporate Governance Code 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. For the next financial period, the Company will apply and report against the Corporate Governance Code 2023 as updated and published by the QCA.

This section of the Annual Report outlines how we have applied the principles of the QCA Code during the year. Additional corporate governance information around our Stakeholder Engagement activities and our Section 172(1) statement can be found on pages 22-25.

Richard Law
Chair

18 March 2024

Our governance structure

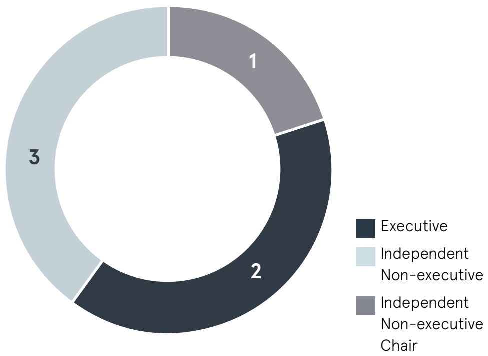
The Group Board

Structure and composition

The Chair of the Group Board is separate to, and independent of, the CEO 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.

With the addition of David Moss as a new independent Non-executive Director in 2023, the Group Board now comprises of six Directors:

GROUP BOARD COMPOSITION



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.

Group Board engagement with our businesses and employees

How the Group Board engaged with employees

The Group Board recognises the importance of employees to the success of its businesses. Employee involvement in the Group is encouraged, as common goals and awareness of the Group's strategy and performance play a major role in delivering our medium to long-term strategic objectives. Awards under the Group's LTIP were made on 28 March 2023 in which 76 senior staff across the Group participated. Our approach is to cast the net for LTIP participation widely to involve all of our senior employees in the Group's performance.

The Group Board attended two employee engagement events in 2023, the first at Brand Addition Manchester in May 2023 and the second at Brand Addition London in September 2023. This was an opportunity for Executives and Non-executive Directors to spend time with our teams and develop a deeper knowledge and understanding of the Group's business, those who work within it and discuss matters of interest or concern to them as employees.

In June 2023 the Group team, including the Executives, hosted the Brand Addition senior team at the new Group Head Office to ensure the strength of existing relationships was maintained following re-location of the Group function out of the Brand Addition premises.

To facilitate contact between the Group Board and our businesses, during the year, employees regularly attended Board meetings to present on key topics of interest and engaged directly with the Group Board on their specialist subject matter.

Our Chair Richard Law spent informal time amongst the teams at Brand Addition Manchester on a number of occasions during the year to ensure he has direct engagement with our employees and an established relationship with them. He also visited the team in St. Louis in the US in March 2023, where he also spent time in a social setting, again, to ensure a strong and open dialogue with the team.

As part of his induction, David Moss our new independent Non-executive Director spent time with the Facilisgroup team and also had the opportunity to meet a top 5 Preferred Supplier to gain a first hand clear understanding of that business and its strategic direction. He has since had regular virtual meetings with technology team members, offering the benefit of his experience, advise and expertise to this specialist function.

Our Executive Directors have regular direct contact with the businesses and dialogue with our teams to ensure ongoing and open engagement, and occasionally attend Divisional Operating Board meetings. The Group Board receives minutes of each Employee Forum and Health & Safety meeting for noting to ensure that the Group Board is aware of and engaged in matters of concern to employees.

This engagement activity helps to ensure that employees' views can be taken into account when making board decisions that are likely to affect their interests.

Providing information and a common awareness of performance

With the aim of having open dialogue with employees, seeking to provide a common awareness of the financial and economic factors affecting performance of the Group and systematically providing employees with information on matters of concern to them, in addition to the Stakeholder Engagement activity outlined on pages 18-21, the following occurred during 2023:

Results Presentations: Full year and half year results presentations were made to the senior teams across the businesses with live Q&A. This offered the opportunity for the operational management to hear from the CEO and CFO about Group performance, share price and feedback received from investors. This was also and an opportunity for operational management to raise questions and engage directly with the Group Executive on performance.

Frequency: Half yearly

Format: Hosted virtual meeting

Focus: How the operational performance of Divisional businesses has translated into the Group's financial performance and the factors affecting that performance.

`Significant Change' meetings: Significant Change meetings were hosted by CEO and CFO to communicate important Group wide information that should be delivered by leadership and heard first by the team.

Frequency: As required

Format: Hosted virtual meeting

Focus: LTIP performance and market trading updates, covering the financial and economic factors affecting performance of the Group.

Group Executive Committee: The CEO and CFO presented `Planned market reporting dates and key messages' and `Key Group financials and other deliverables' as standing agenda items at each Committee meeting.

Frequency: 9 meetings held across the year

Format: Mix of virtual and in person meetings

Focus: Common understanding of market touchpoints, our Group performance and factors affecting those.

1:1 meetings: Between CEO and Divisional Leads.

Frequency: Weekly

Format: Mix of virtual and in person meetings

Focus: Group and Divisional performance and factors influencing and senior management recruitment

Cascading by Divisional Leads:

Brand Addition

Divisional Lead made biannual virtual `State of the Nation' presentations to cascade key messages from Group, deliver Divisional messages and engage with employees directly via Q&A.

Each member of the senior leadership team held monthly or quarterly in person and virtual meetings where they each cascaded those key messages again to their own team members for discussion.

Facilisgroup

Monthly `Company Meetings' were hosted by Divisional Lead and senior leadership team.

`Headline News' was used as a source for day-to-day business and operational updates across all Company departments.

`Significant Change' meetings occurred to communicate important company wide information that should be delivered from the leadership of the business and heard first by the team.

Frequency: Mixed

Format: Mix of virtual and in person meetings

Focus: Divisional strategy, financial updates and perspectives on factors influencing performance; highlighting company milestones, key achievements, anniversaries and events, with an emphasis on building a strong company culture.

Our governance structure

Fostering relationships with other stakeholders

The Group Board understands the importance of the need to foster the business' relationships with suppliers, customers and investors. In addition to the Stakeholder Engagement activity outlined on pages 18-21, the Executive Directors engaged directly with customers and suppliers during 2023 as follows:

Brand Addition

- CEO participated in key client price negotiations
- CEO and CFO participated in key client contract negotiations

Facilisgroup

- CEO acting as Interim President of Facilisgroup has had direct day-to-day leadership of the business from October 2023 to date
- CEO had multiple direct contact with Partners (customers) through site visits, face-to-face and virtual meetings, and attendance at industry trade shows
- CEO had multiple direct contact with major Preferred Suppliers through face-to-face and virtual meetings, and attendance at industry trade shows
- CEO and CFO attendance at Facilisgroup Partner and Supplier events participating in group discussions and networking events, building direct access opportunities

2 x Executive Directors	4 x Independent Non-executive Directors
Christopher Lee (CEO) Claire Thomson (CFO)	Richard Law (Chair) Yvonne Monaghan (Senior Independent Director) Stuart Warriner David Moss

The Group Board believes that it has a good balance of Non-executive and Executive Directors with a clear division of responsibilities between those functions. Independence and judgement is demonstrated in the boardroom and no individual (or group of individuals) dominates decision-making. There is sufficient time for debate in meetings and independent challenge is offered as part of the decision-making process.

Group Board decisions are also supported by independent third-party advice and challenge, where relevant. For example, from our Nominated Adviser, broker and Executive remuneration consultants.

The Group Board's gender balance remains good, however it has reduced to four male and two female Directors following the appointment of David Moss in June 2023. The senior roles of our two female Group Board members, being CFO and Senior Independent Director, are strengths from a gender balance perspective.

In addition, the Group Board has an extensive range of skills, experience and knowledge, now boosted by David Moss' specific technology expertise, to support delivery of the Group's strategy for the benefit of shareholders over the medium to long-term. Further details can be found in their biographies on pages 80-81.

Group Board Agenda

Throughout the year, the Group 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 Directors considered the required number of 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 and matters arising
- Minutes for noting, including from Group Executive Committee and Brand Addition Employee Forum
- CEO business trading and operational update
- CEO corporate activities update, including on investor relations activity
- CFO financial performance update
- Unlocking and delivering shareholder value
- Health, safety and welfare report

Additional matters covered during the year:

- Preliminary Announcement, Annual Report and Interim Report and related work, for example going concern and final dividend approval

- Two day Annual Strategy Setting event and Half-Year strategy review
- Biannual risk register and related work, for example on internal controls
- Annual General Meeting (AGM) matters, for example reappointment of auditors and Directors for re-election and approval of circular
- Annual approval of Group ESG strategy and policy with progress updates provided, including on the RACE Code
- Annual approval of Group DEI strategy and policy with progress updates provided
- Annual Modern Slavery Statement approval
- Annual review of risk and control processes around crisis management and IT/cybersecurity
- Annual Board and Committee Effectiveness Review
- Annual approval of formal Succession Planning Process and Board Appointment Process
- Budget approval
- Group corporate authorities and Board delegation approval
- Group policies approval
- Group insurance approval
- Matters reserved and Committee terms of reference

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 to provide ad hoc updates to the Group Board.

To facilitate contact between the Group Board and the business, employees of each business attended meetings and/or presented to the Group Board during the year on the following: technology and sustainability, IT security, product sourcing, and customer satisfaction analysis.

Our Nominated Adviser presents to the Group 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, provided feedback to the Group Board on Company analysis and valuation and discuss takeover defence planning.

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.

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

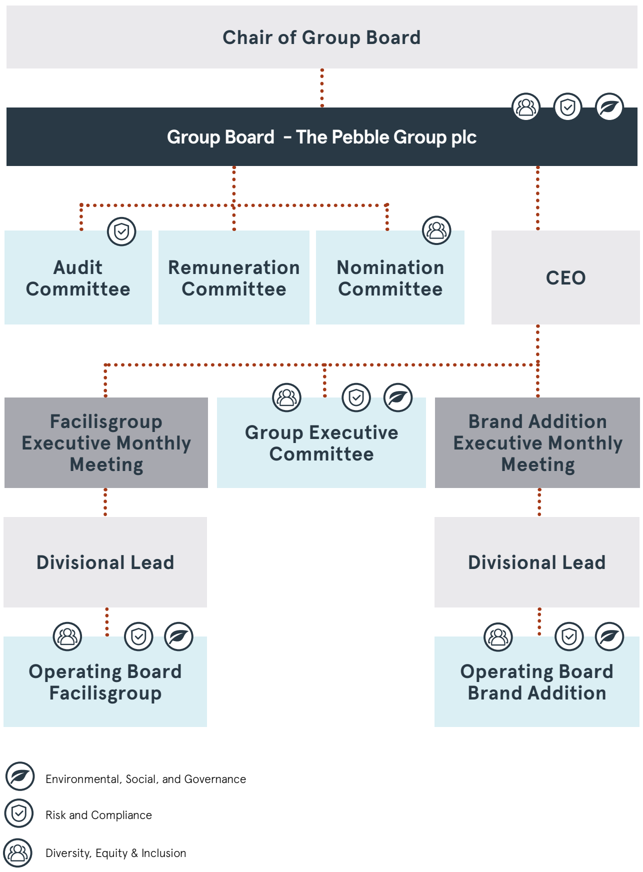
In 2023, the Group Executive Committee was made up of the Executive Directors of the Company, the Divisional Lead for each of Facilisgroup and Brand Addition, the Group Financial Controller, the Group Senior ESG Officer, the Group General Counsel and Company Secretary and the Group Head of Tax. It meets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

- Minutes and matters arising
- Business updates from each Division
- Planned market reporting dates and key messages
- Key financials and other deliverables
- Risk management and compliance
- ESG updates
- Feedback from Group Board/Committee meetings and/or Non-executive Directors

The Committee assists the Group in providing a common awareness of the financial and economic factors affecting Group performance. It also 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

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 policy on an annual basis and reviews and approves each 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.

The Group Executive Committee includes an ESG update as a standing agenda item at each meeting 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 at least every two months to discuss progress against agreed non-financial objectives related to energy usage, carbon emissions and roll-out, training and adherence to policies.

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 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 52-57. The Audit Committee also provides channels of communication between the external auditors and the Non-executive Directors. It reviews the performance and independence of the external auditors and makes recommendations to the Group Board in relation to auditor appointment for the following financial year. 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 82-85.

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 the level and structure of senior executive's remuneration. The Remuneration Committee retains, as necessary, external remuneration consultants in support of its responsibilities. The Remuneration Committee reports to the Group Board on all these matters and typically meets four to five 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, Yvonne Monaghan and David Moss are the other members of the Remuneration Committee.

Further information can be found in the Remuneration report on pages 86-95.

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 a needs analysis considering the balance of skills, experience, independence and knowledge on the existing Board and prepare a detailed candidate profile and role description. In 2023, the Nomination Committee carried out its duties in relation to the appointment of David Moss as a new independent Non-executive Director. The Committee also reviews Board structure, size, diversity and composition, makes recommendations on annual reappointment of Directors, oversees succession planning and talent identification and development, and oversees Group DEI strategy and policy. The Committee retains external consultants in support of its responsibilities. The Nomination Committee reports to the Group Board on all these matters and typically meets three times in each financial year. Yvonne Monaghan, Stuart Warriner and David Moss are the other members of the Nomination Committee.

Further information can be found in the Nomination Committee report on pages 66-68.

Nomination Committee report

Leading the process to appoint our new Non-executive Director.

Richard Law
Nomination Committee Chair
Independent Non-executive Director

> **"I am delighted to welcome our new Non-executive Director, David Moss who brings a wealth of relevant technology experience and expertise to strengthen our Group Board."**

Dear Shareholder,

I am pleased to present the Nomination Committee report for the year ended 31 December 2023.

Composition and experience of the Nomination Committee

I am Chair of the Committee which is made up of our four independent Non-executive Directors (Stuart Warriner, Yvonne Monaghan, David Moss and myself) and is supported by Lucy Penfold as Company Secretary.

The Committee typically meets three times per year and the meetings are attended by the CEO and CFO. In 2023, there were four meetings and each had full Committee attendance.

Responsibilities of the Nomination Committee

Throughout the year, the Committee continued to fulfil its duties 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:

- regular review of the structure, size and composition required of the Group Board;
- evaluating the diversity, balance of skills, knowledge, experience and independence on the Group Board;
- leading the process for Group Board appointments, identifying, and nominating for the approval of the Group Board, candidates to fill Group Board vacancies as and when they arise;
- leading on, and being responsible for, the Group's DEI policy, objectives and strategies;
- oversight of succession planning for the Group Board and senior executives; 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 introduced forward looking KPIs during Q1 2023 and in Q4 2023 reviewed progress against those, together with output from the annual Board and Committee Effectiveness Review detailed on page 76, to evaluate its own performance and constitution. It concluded that the Committee performed well and effectively over 2023 with no action or changes required to be recommended to the Group Board.

2023 Nomination Committee Activity

The Committee had a particular focus on the following three areas:

(i) Successful Non-executive Director recruitment

- Addressing the need identified in 2022 for specific technical skills around 'Digital technologies and SaaS' at Board level
- Full consideration of the required role following completion of a Needs Analysis and preparation of formal Role Profile
- Initiation of search led by the Committee Chair with close involvement from CEO and support by Company Secretary
- Appointment of professional recruitment consultant with specialist expertise in the Technology sector to run the search on behalf of the Company. (There is no connection between the Group and the external recruitment consultant used)
- Following the Group's Board Appointment Process, including the consideration of merit against objective criteria (an assessment of candidate's background, skills and experience against the agreed Profile) and use of scoring on a competency matrix which also highlighted DEI attributes and had due regard to the Group's DEI commitments and the benefits of diversity on the Board
- Nomination of David Moss as the preferred candidate to the Group Board

(ii) Advancement of DEI approach and strategy

- At the end of 2022 continuing to promote and achieve ethnic diversity in the Group was identified as a priority area and there was continued focus on DEI during 2023. The Committee stressed that it was key that all DEI activity be authentic, embraced and meaningful
- The RACE Equality Code process and results were reviewed by the Committee and the achievement of The RACE Equality Code Quality Mark in October 2023 was celebrated as a demonstration of our clear commitment to DEI. Please see page 34 for further details
- The Chair met with the DEI Sponsor for each business and the Committee reviewed and discussed positive DEI progress and activity during the year
- Re-approval of Group DEI Policy and development and approval of a new DEI Strategy document to reflect the output of the RACE Equality Code assessment and bring greater structure and clarity
- Review future priorities, objectives and plans for development further in 2024 and beyond

(iii) Succession planning and internal talent identification and development

- Following previous identification as an area for emphasis in 2023, the Committee reviewed updated succession plans for the Group Board and each Division Senior Leadership and re-approved the formal Group Succession Planning Process. It noted that this was a lower scoring area in the annual Board and Committee Effectiveness Review during Q4 2023 (please see page 76) and explored ways in which this area could be strengthened to ensure that the Group was more diversified and stable from a succession planning perspective
- On internal talent identification and development, the Committee received reports from HR leads in Brand Addition and Facilisgroup on how focus had improved during 2023 and on plans for future development in 2024. It concluded that good work and focus was underway, and momentum must be maintained with regular updates to the Committee to evaluate progress against proposals tabled
- These matters will remain key areas of focus for the Committee during 2024

In addition, the Committee handled the following standard matters well:

(i) Board Appointment Process

- The Committee used the Board Appointment Process for the first time
- In Q4 2023 the Committee conducted its annual review of the process and approved minor amendments to reflect what was learned through the experience of practical application
- The Committee satisfied itself that the process was rigorous and transparent and aimed to work hand-in-hand with the Group's DEI policy

Nomination Committee report

(ii) Review of Board Structure, Size, Diversity and Composition and Non-executive Director Skills Matrix

- Evolution of the Non-executive Director Skills Matrix to show improved skills coverage following appointment of David Moss to the Group Board
- Conclusion that the Group Board was of a suitable size given stage of development
- The Committee concluded that the current skills and experience were optimum to support delivery of the Group's strategy, considering the future strategic requirements and anticipated developments. No current or perceived future skills gaps were identified
- A good Executive to Non-executive Director balance of responsibilities was noted and it was agreed that no individual or small group dominated decision-making and independent challenge was also offered
- The Group Board was noted to have less female representation since the recruitment of David Moss, but the Committee were of the view that the balance remained acceptable given investor expectations and concluded that there remained strong female representation given the senior roles that the two female members hold
- The Committee acknowledged that ethnic diversity of the Board could be increased, however there was no imminent opportunity to address that. Nevertheless, the Group's DEI focus and activities were designed to address that point over the longer term
- The Committee concluded that there was no action needed and no recommendations were made to the Board

(iii) Board and Committee Effectiveness Review

- Assessment of how the formal review could be developed or improved
- On process, the Committee approved the introduction of the use of a digital platform for the first time, to facilitate the process and present results in a more sophisticated format, but otherwise concluded that the 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 initiated the review to commence in Q4 2023. Please see page 76 for further details.

(iv) Annual review of Membership of all Committees and Terms of Reference

- Annual review of Group Board and Committee membership and time requirements of Non-executive Directors. No action was recommended to the Board
- Annual review and re-approval of the Committee's Terms of Reference. These are available on the Company's website

(v) All Directors to stand for re-election at 2024 AGM

During Q1 2024 the Nomination Committee considered the continued independence, skills and performance of each Director. To include a review of conflicts of interest and availability, and overall ability to continue to contribute to the long-term success of the Company. The Committee recommended to the Group Board that David Moss should stand for election and all other Directors should seek re-election by the Group's shareholders at the 2024 AGM.

Richard Law
Chair of the Nomination Committee
18 March 2024

Key governance policies

Our Values in action:

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.

Establishing key governance policies that reflect our tone of voice and are focused on the Group Board's areas of priority.

The Group has developed key governance policies to establish a common understanding of the high standards of conduct, ethics and responsible business practices expected across our businesses and in our wider stakeholder relationships. They serve to cascade the right culture down from the Group Board and set the tone for expected behaviour. Our culture and values aim to protect the Group from unnecessary risk, to enable delivery of long-term growth and to secure our long-term future.

In developing our policies, we consider:

- our legal and regulatory obligations;
- our QCA Code governance obligations;
- new and upcoming changes and standards;
- best practice guidance; and
- our own tone of voice.

We strive to make policies relatable to our employees and relevant to our Group operations so that they underpin and guide the objectives and strategy of each business. The aim is for everyone to feel proud of the Group, its purpose and vision.

Our policies are reviewed on at least an annual basis, to ensure that they reflect current working practices, remain relevant and are aligned with best practice. They are re-approved by the Group Board each year.

Implementation and embedding of our key policies is addressed through a mixture of:

- inclusion in new starter induction process;
- ad hoc communication and reminder processes; and
- ad hoc training.

Adherence to policies by our employees and suppliers is tracked through:

- the opportunity at each Group Executive Committee for Divisional Leads to raise policy breaches as part of a standing risk agenda item at each meeting;
- biannual attestation of compliance with key policies by the Group's senior leaders in relation to their respective teams and reported to the Group Audit Committee;
- monitoring of any whistleblowing reports received;
- robust vendor audits of suppliers;
- supplier visits; and
- a biannual internal policy audit by the Group team, which was introduced during 2023.

To formalise the embedding and implementation of our Group policies, in Q1 2024 the Group team developed a Group Training Plan to confirm training requirements on Group policies and to introduce a system of regular confirmation from employees of their awareness and acceptance of Group policies.

The Group policies in our governance framework can be found in the ESG section of the Company's website, which includes copies of the following:

a) Group Framework on Conduct, Ethics and Compliance – an umbrella document to provide an overview of all Group conduct, ethics and compliance priorities, to empower our employees and provide them with links to all Group policies in one place.

During 2023, all employees across the Group have been made aware of this Framework and it was embedded within our businesses through a Group-led training module delivered to all employees through each of our businesses' training platforms, to include a short assessment. It also forms part of our new starter induction process within each business to ensure that all new employees are informed of and aware of Group expectations. This is part of the Group Board setting the tone from the top.

Key governance policies

b) Anti-bribery and corruption policy – including gifts and hospitality rules and outlining a zero-tolerance approach. This reflects the Group's commitment to acting honestly, professionally and with integrity in all business dealings and relationships.

During Q1 2024, a new Group-led training module was designed and delivered to all employees through each of our businesses' training platforms.

c) Anti-slavery and human trafficking policy – outlining a zero-tolerance approach and clarifying 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 businesses or supply chains.

During 2023, a new Group-led training module was designed and delivered to all employees through each of our businesses' training platforms to raise understanding and awareness around modern slavery.

d) Whistleblowing policy – to support and encourage employees and stakeholders to raise 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.

e) Group wide dealing policy and share dealing code – 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. These support compliance with the applicable regulatory framework on market abuse.

f) DEI policy – promoting integrity and openness and highlighting diversity as an important part of our long-term focus on shareholder value.

g) Group environmental and climate change policy – reflecting our obligation to be part of the climate crisis solution and the importance of reducing greenhouse gas (GHG) emissions.

h) Group health, safety and well-being policy – aiming to create an inclusive culture for our employees which focusses on prevention, and in the case of any issues, ensure that they are minimised and managed before they have a detrimental impact on our employees' well-being.

i) Group labour standards and human rights policy – outlining our corporate responsibility to ensure that our activities do not directly or indirectly violate labour standards and human rights.

j) Group data protection policy – recognising that the correct and lawful treatment of personal data will maintain confidence in the Group and its businesses and will provide for successful operations.

k) Group anti-facilitation of tax evasion policy – setting out the Group's responsibilities, and those working for us, in observing and upholding our position on preventing the criminal facilitation of tax evasion.

Responsibilities

Each policy notes which Director 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 the policy 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 all finalised policies to the senior executives in each business to ensure consistent messaging, and the Divisional Leads are responsible for implementing the policies, as appropriate for their business.

We will continue to evolve and adapt our policies and procedures to address any changes across the Group as we continue to grow and ensure alignment of key business practices across our two businesses.

Overseeing compliance priorities

Corporate governance statement

Best practice corporate governance.

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 shared view of the Group's vision and the vision, strategy and business models of our businesses. These are designed to deliver medium to long-term growth for the Group. Strategy is re-visited annually with six-monthly check-ins against plan. In 2023, the Group Board held its annual strategy event over two days in November with all Directors in attendance. The output focused on: • vision and scoring of our businesses • scaling our businesses • technology product roadmap • leadership, our people and team structures The Chair and CEO work closely to ensure the strategic message and direction is strong and understood. In 2023, the Board discussed resource to drive strategy alignment across the Group and ensure strategy is clear, memorable and tangible for all employees. All strategic initiatives are underpinned by the Group's values and expected high standards of conduct, ethics and compliance. Examples of this and how it is cascaded through our businesses is described throughout this Report.	The following sections of this Report set out how the Group intends to deliver shareholder value in the medium to long-term: · Group strategy is on page 17 · Group vision and the vision of each business is on page 4 · Our business models are on pages 8–11 · 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 liaison with the Company's shareholder base and during 2023 they maintained the active and frequent dialogue the Company has established. Regular updates on shareholder meetings, together with all reports and feedback issued by analysts are provided to the entire Group Board to support their understanding of the view of the Group by the investment community. The Group Executive Committee discusses shareholder needs and expectations in the context of upcoming market announcements and other touchpoints at every meeting and reviews investor feedback received following each of those touchpoints. The 2024 AGM will again 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.	How the Group seeks to engage with shareholders and the output of that engagement in 2023 is detailed in the Stakeholder engagement section of this Report on pages 18–21. Investor presentations can be found on the Company's website.

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. Systems are in place to solicit, consider and act on the feedback from all of our stakeholder groups.

The Group Board and its Committees have regard to relevant stakeholder interests in all key decision-making. Our Board 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 8-11.

How the Group obtains stakeholder feedback and the output of that is in the Stakeholder engagement section of this Report on pages 18-21.

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

Principle 4:

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

The Group Board takes 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 each of the Audit Committee, Group Executive Committee, and 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 both Divisional and 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 52-57.

The Audit Committee report on pages 82-85 explains how it oversees the effectiveness and integrity of the internal control systems.

Corporate governance statement

Principle 5:

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

The Group Board successfully appointed a new Non-executive Director during 2023 and remains a well-functioning team led by the Chair with strong independent representation. There is a good balance between the Executive and the Non-executive Directors.

Executive Directors dedicate a full-time commitment to the Company. Non-executive Directors provided a strong time commitment in 2023, 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, each of which had very strong attendance.

The Chair and Company Secretary keep Group Board processes under review, 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 2023 annual Board and Committee 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:

- time commitment of Non-executive Directors;
- role of Chair and Role of Senior Independent Director;
- independence and balance on the Board; and
- Board members attendance and active contribution at meetings.

Group Board structure and composition details are on pages 80-81.

Detailed information on Group Board and Committee meeting frequency can be found in the Board of Directors section on pages 60-65.

For more detail on Board Agenda please see page 62.

For full details of the annual Board and Committee Effectiveness Review 2023 results, see Principle 7 below.

Principle 6:

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

Our Directors are professionally active and 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 their mix of personal qualities and gender balance contributes to the Group Board's ability as a whole to deliver the Company's strategic objectives.

The skills and experience of the Group Board are reviewed annually through use of a forward-looking skills matrix to ensure that it is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders. After the 2022 review highlighted the need for specific technical skills, David Moss was successfully appointed as a new Non-executive Director in June 2023. The Nomination Committee has concluded that the current skills and experience are optimum to support delivery of the Group's strategy, considering the future strategic requirements and anticipated developments.

The 2023 annual Board and Committee Effectiveness Review highlighted the mix of skills, experience and knowledge of the Board as an area of improvement. It also noted 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 2023 AGM and it is the Company's intention to continue to subject all Directors to re-election annually.

A Director performance evaluation by the Nomination Committee in Q1 2024 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.

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: new laws and regulations, new governance code requirements and consultations on issues such as DEI and reporting.

The Company's external auditors provide 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 Nominated Adviser and the Company's broker each provide annual Group Board training and a briefing pack, covering between them the AIM Rules, Market Abuse Regulation, managing price sensitive information, Takeover Code and other topical regulatory updates.

The Directors are given the opportunity to attend other updates and/or training sessions to ensure continued development of knowledge, skill and capability.

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

The identity of each Director and their relevant skills and experience are detailed on pages 80-81 and also on the Company's website.

Information on how the Nomination Committee actively reviewed Group Board structure, size and composition in 2023, is on page 68.

For full details of the results of the 2023 annual Board and Committee Effectiveness Review, see Principle 7 below.

For full details of the Director performance evaluation conducted by the Nomination Committee in Q1 2024 see page 75.

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.

Corporate governance statement

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

The process is conducted internally by the Group Board on a non-anonymous basis, which reflects its open culture and nature. In 2023, the use of a digital platform was introduced to improve the process and present results in a more sophisticated format. This also improves year-on-year comparison:

- 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
- All Directors complete a questionnaire using the digital platform
- The questionnaire covers *'Composition and Process'* and *'Behaviours and Activities'*
- A digital report on the results and a year-on-year comparison, together with a written analysis is tabled for full Board discussion
- Directors' evaluation of the results is facilitated by the Company Secretary during a board meeting with full attendance
- Actions are included and followed-up as part of standard Group Board and Committee process

The Nomination Committee reviews the Group Board effectiveness process annually to enhance and improve the exercise. The above process was followed in 2023, which was considered to be fit-for-purpose given the size, nature and complexity of the Group Board and its Committees, current stability of composition and governance maturity.

Results and recommendations of the 2023 Review

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

- Constitution and performance of Board Committees
- Board appointment and induction processes
- The Board's demonstration of stewardship through ensuring that the standard of external reporting is high
- Remuneration and performance – ensuring appropriate consistency and linkage between the strategy, risks and performance of the Group, and the remuneration offered to the Directors

Recommendations:

- On DEI; to ensure continued focus through Nomination Committee activities and RACE Code developments
- On succession planning; action agreed via Nomination Committee activity to improve and further develop succession planning across the Group

Progress against previous recommendations

The Group Board has addressed the areas for development identified in the 2022 performance review as outlined in the Company's 2022 Annual Report. In particular:

- On Board mix of skills, experience and knowledge; the previously low score became a strength in the 2023 review due to the reaction of the Board and successful appointment of David Moss as a new Non-executive Director with the required skillset and experience
- On Board diversity; in response to the need for development of a more specific action plan with measurable targets for achieving increased diversity, the Group successfully worked with an external consultant and completed an in-depth exercise which led to the achievement of the RACE Equality Code Quality Mark accreditation. This has provided external validation of the Group's DEI policy and approach, and has also brought improved clarity to DEI strategy and structure to all DEI activities across the Group.

Details of the Nomination Committee update to its Group Board effectiveness review criteria in 2023 (to ensure it remained fit-for purpose) is on pages 66-67.

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.

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 ways of working.

The Group Board also monitors and assesses the current state of culture and employee satisfaction. It does so by including minutes of each Brand Addition employee forum for noting at Group Board meetings and by chatting to employees at pre-arranged employee engagement events or more informally whilst spending time in our offices.

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 their respective Division's equivalent local policies.

Any non-compliance with policies is reported by the Divisional Leads via the Group Executive Committee to the relevant Group Board Committee and, ultimately, to 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 employees' bonuses are 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.

During 2023, the Group has developed and enhanced employee awareness and engagement with Group Policies and culture, including through Group-led training for all staff on our framework on conduct, ethics and compliance, our anti-slavery and human trafficking policy. During Q1 2024, this Group-led training extended to our anti-bribery and corruption policy.

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 page 56 under Operating Boards and Group Executive Committee.

Our assessment of our principal risks and uncertainties reflects our ethical culture and balanced risk appetite. For details, please see pages 52-57.

Information on monitoring compliance with certain policies can be found in the Audit Committee report on pages 82-85.

For details of the key governance policies in place across the Group, and activities during 2023, please see pages 69-71.

Corporate governance statement

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 continual review and will evolve where required in line with the Group's 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 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 continue to 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), with appropriate and timely information circulated in good time prior to each meeting, and considered planning of meetings are 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 review, develop and formalise Group Board processes, including by 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 60-65.

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 64-65.

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 62.

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 investor relations activity during 2023 ensured dialogue existed with investors on matters of governance and performance.

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.

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

Board of Directors

Leading with experience.

KEY TO COMMITTEE MEMBERSHIP

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

Richard Law
Chair and Independent Non-executive Director

Tenure
4 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.

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
(A) (R) (N)

Meetings attended in 2023

Board meetings and AGM	12/12
Audit Committee meetings	3/3
Remuneration Committee meetings	7/7
Nomination Committee meetings	4/4

Christopher (Chris) Lee
Chief Executive Officer (CEO)

Tenure
24 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 respectively. He then led 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 2023

Board meetings and AGM	12/12
Group Executive Committee	9/9

Claire Thomson
Chief Financial Officer (CFO)

Tenure
16 years

Experience
Claire has led the finance, banking, tax, legal and compliance aspects of the businesses which now comprise the Group for over 15 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 2023

Board meetings and AGM	12/12
Group Executive Committee	9/9

Yvonne Monaghan
Independent Non-executive Director and Senior Independent Director

Tenure

4 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

Committee membership

A R N

Meetings attended in 2023

Board meetings and AGM	10/12
Audit Committee meetings	3/3
Remuneration Committee meetings	7/7
Nomination Committee meetings	4/4

Stuart Warriner
Independent Non-executive Director

Tenure

4 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

- Non-executive Chair at Altia Solutions Limited
- Non-executive Chair at Mortgage and Surveying Services Limited
- Non-executive Chair at Blue-I Holdings Limited
- Non-executive Director of Lodestone Oxford Limited
- Senior Advisor at Houlihan Lokey

Committee membership

A R N

Meetings attended in 2023

Board meetings and AGM	12/12
Audit Committee meetings	3/3
Remuneration Committee meetings	7/7
Nomination Committee meetings	4/4

David Moss
Independent Non-executive Director

Tenure

8 months

Experience

David has extensive technology and Board experience. Following a four-year tenure at Lynx Financial Systems as a Developer, Designer and Software Architect, David co-founded Blue Prism as Chief Technology Officer in 2001. During his 20-year tenure, David had direct responsibility for all Technology product related matters, as well as participating in key engagements with stakeholders and sitting on the Blue Prism Board. Following a successful AIM IPO with 70 staff and a market capitalisation of £48.5m in 2016, Blue Prism grew to over 1,000 people in 30 countries by 2020 before being acquired by SS&C in 2022 for $1.6bn. David has a BSc (Hons) degree in Mathematics from Leeds University.

Skills brought to the Group Board

- Successful track record of ambitious growth strategy execution and building shareholder value
- Significant knowledge, skills and experience in technology business
- Technology product management, marketing and R&A
- Intellectual Property

External appointments

- Director at Binary Pursuits Limited

Committee membership

R N

Meetings attended in 2023

Board meetings	4/4
Remuneration Committee meetings	2/2
Nomination Committee meetings	2/2

Lucy Penfold
Group General Counsel and Company Secretary

Tenure

3 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 2023

Group Executive Committee	9/9

Audit Committee report

Overseeing the integrity of the Group's financial statements.

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

> "Our risk register has been expanded to enable the Group to review and assess tax risks in an evolving global tax environment."

Dear Shareholder,

I am pleased to present the Audit Committee report for the year ended 31 December 2023.

Composition and experience of the Audit Committee

I am Chair of the Committee which is made up of three of our independent Non-executive Directors (Stuart Warriner, Richard Law and myself) and is supported by Lucy Penfold as Company Secretary. All Committee members 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 80-81. All Committee members 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, and typically by the external auditors. In 2023, all three meetings had full Committee attendance. The external auditors attended two of the 2023 Committee meetings and submitted a report in lieu of their attendance at the third meeting. 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 are reviewed at least annually and 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;
- 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 Board and Committee Effectiveness Review detailed on pages 74-76 to review and evaluate its own performance and constitution during Q4 2023. It concluded that the Committee was operating effectively, and no action or changes were required to be recommended to the Group Board.

Significant matters considered in relation to the financial statements

At the request of the Group Board, the Audit Committee considered whether the 2023 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 2023 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:

- the capitalisation of software development costs;
- consideration of the appropriateness of the carrying value of goodwill, intangibles and investments;
- the procedures and controls introduced in relation to compliance with the prevention of tax evasion;
- review of the controls processes over inventory;
- going concern assessment; and
- considering and agreeing the annual internal audit plan.

Alternative Performance Measures (APMs)

We refer to a number of APMs 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 APMs are non-IFRS measures. APMs 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 operating profit less finance costs
- 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

The Committee considers the APMs, 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 APMs are used, they are presented with equal prominence to the statutory figures.

External Auditors

The Audit Committee has responsibility for recommending the appointment of 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.

Audit Committee report

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 £406,000 (FY 22: £310,000). The fee for FY 23 includes £35,000 of over-runs, agreed by the Committee in respect of the FY 22 audit. No non-audit services were provided in FY 23 (FY 22: £nil).

During the year, the Audit Committee led a process for the selection and appointment of new external auditors for the Company, as explained in further detail below. In accordance with the recommendation of the Audit Committee, the Group Board has approved that a resolution to appoint BDO LLP (BDO) as external auditors will be proposed to shareholders at the 2024 Annual General Meeting, to take effect from the closure of that meeting.

The respective responsibilities of the Directors and external auditors in connection with the Group financial statements are explained in the Statement of Directors' Responsibilities in Respect of the Financial Statements on page 99 and the Independent auditors' report on pages 100-105.

Review of external auditors' effectiveness

The Committee reviewed the external auditors' performance and independence during 2023, by considering the qualifications, expertise and resources of PricewaterhouseCoopers LLP (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
- the relationship with PwC as a whole, to confirm there were 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 in respect of the year ending 31 December 2023.

Internal control and risk management

As explained in more detail in the Risk Management section of the Strategic report on pages 52-57, 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, as contained in the Group's main risk register and sub register of climate-related risks. This includes assessing the mitigating actions in place and updates to action plans agreed in previous meetings.

In FY 23, the Group risk register was extended to include a sub register of tax risks facing the Group. The tax risk register enables the Group to review and assess tax risks in an evolving global tax environment, as well as ensuring that those risks are monitored and that the mitigations put in place are fit for purpose.

The Committee discussed and reviewed the Group's risk register twice in FY 23; key areas of focus being security breaches, computer malware and other cyber-attacks, global supply chain disruption, reliance on IT systems, macroeconomic environment 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 an appropriate whistleblowing policy and confidential process is in place designed to support and encourage employees and other stakeholders to raise concerns in respect of conduct within the Group, 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's 24 hour whistleblowing portal. During the year, the policy was reviewed by the Committee and later re-approved by the Board to ensure continued compliance with best practice and alignment with our businesses and ways of working.

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 submitted via the whistleblowing process which was akin to an employee related grievance. This was investigated and resolved efficiently and thoroughly in accordance with the policy and the resulting actions were tracked by the Committee.

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 Group 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.

For full details of our Group policies and work performed in 2023, please see pages 69-71 of this Report.

Appointment of a new external auditors

During the year, the Committee considered the ongoing appointment of PwC as the Company's external auditors and made the decision to initiate a process to explore whether there was a firm other than PwC that was well suited to provide a high quality, effective and efficient audit. It was noted that a change in external auditors was viewed positively from the viewpoint of ensuring and maintaining independence.

After a preliminary investigation, the Committee concluded that a formal tender process was not required and would not be beneficial due to the existence of conflicts of interest and capacity challenges within Tier 1 accountancy firms which ruled out possible participants. To ensure and evidence that a robust process with an emphasis on audit quality was followed, the Committee instead implemented the following steps to evaluate a proposal received from BDO:

a) **Information sharing and preliminary meetings** – this ensured a full understanding by BDO of our businesses and the Group's key audit deliverables and timetable. It confirmed the existence of adequate resource and capacity within BDO to commit to audit delivery within the Company's timetable.

b) **References from other companies –** obtained by CFO with findings communicated to the Committee to provide reassurance on quality of service.

c) **FRC findings -** FRC annual supervision reports on the conclusions of their work on Audit Quality Inspection and Supervision for BDO were noted by the Committee and discussed with BDO.

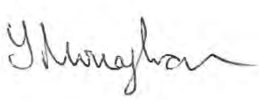
d) **Audit Proposal –** BDO presented its proposed Audit Strategy document to the Committee in January 2024 to cover its perceived audit risks and areas of focus, the steps it would take to guarantee full independence and how it would explore improving audit efficiency through the use of IT. This provided an opportunity for the Committee to ask questions of the BDO Lead Partner and audit team directly.

Committee recommendation and Group Board approval

The CFO explained the assessment criteria used to draw the conclusion that BDO was well positioned to take over the role of external auditors and perform a high quality, effective and efficient audit. Following Committee discussion on the outcome of the process followed and the Audit Proposal received from BDO, the Committee unanimously resolved to recommend to the Board that BDO be proposed as the Company's external auditors in the place of PwC. The Group Board subsequently approved that a resolution to appoint BDO as external auditors will be proposed to shareholders at the 2024 Annual General Meeting, to take effect from the closure of that meeting (if approved).

Transitional plans

BDO has commenced transitional activity in preparation for the external audit of FY 24, by shadowing the outgoing external auditors and attending the March 2024 Audit Committee meeting. This will aid a smooth and efficient transition and allow BDO to commence their work on the 2024 audit as well prepared as possible.



Yvonne Monaghan
Chair of the Audit Committee
18 March 2024

Ensuring that remuneration appropriately reflects performance.

Stuart Warriner
Remuneration Committee Chair
Independent Non-executive Director

> "I am pleased to have overseen the introduction of ESG performance metrics into Executive variable pay for 2024."

This report is for the year ended 31 December 2023. 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 2023 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 2024 AGM, as we have in previous years. At the 2023 AGM, this resolution was supported by 100% of votes cast.

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 the 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.

To ensure that the remuneration policy remains appropriate and effective, the Committee's approach is to review one element of remuneration each year. During 2023, the Committee looked in detail at the structure, workings and performance conditions applied to the Executive Bonus Plan awards. Following this review, the Committee determined that no material changes were required to its Executive Bonus Plan structure, which remains relevant, appropriate and consistent with best practice. However, the Committee approved the introduction of three specific Environmental, Social and Governance (ESG) related performance measures linked to tangible targets for inclusion alongside financial performance targets for 2024.

Performance and decisions on remuneration taken during 2023

Annual bonus

The Company faced trading challenges, primarily due to weaker sales in the second half of the year at Brand Addition from its clients who operate in the Technology and Consumer sectors. This resulted in a trading update being issued in November 2023 which indicated that Group financial performance was expected to be lower than market consensus. The resultant financial performance in 2023 proved to be lower than the threshold set for the Executive Directors under their 2023 Annual Bonus Plan. Therefore, no annual bonus is payable to the Executive Directors for 2023 performance.

LTIP

In August 2023, the vesting of Awards under the 2020 LTIP was approved (with basic adjusted Earnings Per Share (EPS) and Total Shareholder Return (TSR) measured over the three years to 30 June 2023) with vesting at 70% of the maximum level.

The vesting of Awards under the LTIP 2021 (with EPS and TSR performance measured over the three years to 31 December 2023) due in June 2024 will be impacted by the second half 2023 trading performance. Vesting was approved post year end, in March 2024, at 20.8% of the maximum level.

Other remuneration decisions made by the Remuneration Committee during the year:

- Awards to Executive Directors under the 2023 Annual Bonus Plan were approved and granted subject to performance targets agreed by the Committee based solely on the Group's financial results, switching to use of Operating Profit instead of Adjusted EBITDA performance
- Awards to Executive Directors under the 2022 Annual Bonus Plan were approved as follows: Chris Lee £148,770 and Claire Thomson £109,620 (each at 52.2% of salary)
- The annual grant of awards under the LTIP were made on 28 March 2023
- A second grant under the Group SAYE was approved and options granted on 25 April 2023

Information on how remuneration will be operated in 2024 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
18 March 2024

Remuneration report

Composition of Remuneration Committee

The Committee comprises all four independent Non-executive Directors, Stuart Warriner (Chair), Yvonne Monaghan, Richard Law and David Moss and is supported by Lucy Penfold as Company Secretary. The Committee will normally meet four or more times a year to review the remuneration of the Executive Directors and other Executive Team members and to deal with share scheme matters.

The views of the CEO 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 Board and Committee Effectiveness Review detailed on pages 74-76 to review and evaluate its own performance, constitution and terms of reference during Q4 2023. 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 without amendment.

Remuneration policy

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

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

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

The Committee aims to achieve an appropriate balance between fixed and variable remuneration, and between variable remuneration based on short-term and longer-term performance. Fixed remuneration includes base salary and benefits. Variable remuneration includes annual bonus and awards made under the 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 on the following pages.

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 66% of the potential remuneration of the Executive Directors in 2023 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 EPS and 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 2023 the Committee also consulted external consultants h2glenfern Remuneration Advisory UK LLP (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 detailed review of its Executive Bonus Plan and introduction of ESG performance metrics, (as outlined above) during 2023.

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 on the following pages.

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 set 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.

Remuneration report

Element	Link to remuneration policy/strategy	Operation	Maximum opportunity	Performance metric
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 2023, the performance targets were based on Operating Profit. For 2024, the performance targets are based on operating profit (85%) and three ESG performance metrics: customer satisfaction (5%), employee engagement (5%) and ESG sustainability (5%).
LTIP	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, FY 22 and FY 23, 70% of the award was subject to a cumulative basic earnings per share (EPS) target and 30% was subject to an absolute total shareholder return (TSR) target. Details are set out later in this Report.

Element	Link to remuneration policy/strategy	Operation	Maximum opportunity	Performance metric
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 2024.

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. Three Non-executive Directors have letters of appointment for their second three-year term from 28 November 2022 and one Non-executive Director has a letter of appointment for his initial three-year term from 22 June 2023. 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 considering 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 2023.

2023 Summary of Directors' total remuneration (audited)

Name	Salary / Fee	Bonus	LTIP	Pension	Benefits*	Total
Executive						
Christopher Lee	£300,000	£0	£96,618	–	£10,645	£407,263
Claire Thomson	£221,000	£0	£71,569	–	£10,774	£303,343
Non-executive						
Richard Law	£110,000	–		–	–	£110,000
Yvonne Monaghan	£50,000	–		–	–	£50,000
Stuart Warriner	£50,000	–		–	–	£50,000
David Moss	£26,350**	–		–	–	£26,350

* car lease and private medical insurance

**David Moss was appointed on 22 June 2023

The value of the LTIP in 2023 relates to the vesting of the 2020 LTIP awards and the value has been calculated using the share price on the vesting date of 21 December 2023. Of the LTIP value included, £nil is attributable to share price appreciation. Neither Executive has exercised these vested awards.

2022 Summary of Directors' total remuneration (audited)

Name	Salary / Fee	Bonus	LTIP	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

2023 Annual Bonus Plan Awards

For 2023, the maximum potential bonus was 100% of base salary. The awards were subject to performance targets set in March 2023 based solely on the Group's financial results, using the operating profit performance, which was considered by the Remuneration Committee to be the Group's most relevant key performance measure for 2023. 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		Operating Profit
25%	threshold	£10.5 million
60%	target	£11.6 million
100%	maximum	£12.5 million
0%	actual	£8 million

The Company achieved Operating Profit of £8m in FY 23 which corresponded to no bonus pay out for either Executive Director, as shown in the table above.

LTIP and SAYE

LTIP awards were granted to the CEO and CFO on 28 March 2023. The table below summarises all of the awards made to the Executive Directors under the LTIP and SAYE plans.

The LTIP awards are nil cost awards with performance conditions outstanding as at 31 December 2023.

Name and award date	Type	Interest at 31 December 2022	Granted in year*	Exercise price (£)	Vested	Exercised	Lapsed	Interest at 31 December 2023	Performance period ending
Christopher Lee									
21 December 2020	LTIP	242,152	-	0	169,506	0	72,646	169,506	30 June 2023
8 June 2021	LTIP	176,471	-	0	-	-	-	176,471	31 December 2023
6 October 2021	SAYE	14,754	-	1.22	-	-	-	14,754	n/a
29 March 2022	LTIP	280,788	-	0	-	-	-	280,788	31 December 2024
28 March 2023	LTIP		256,410	0	-	-	-	256,410	31 December 2025
Claire Thomson									n/a
21 December 2020	LTIP	179,372	-	0	125,560	0	53,812	125,560	30 June 2023
8 June 2021	LTIP	130,719	-	0	-	-	-	130,719	31 December 2023
6 October 2021	SAYE	14,754	-	1.22	-	-	-	14,754	n/a
29 March 2022	LTIP	206,897	-	0	-	-	-	206,897	31 December 2024
28 March 2023	LTIP		188,889	0	-	-	-	188,889	31 December 2025

* The value at Grant Date was calculated based on the closing share price on 27 March 2023 of 117p 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	2023 award 3 years ended 31 December 2025
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)	13.4p	15.4p	17.6p	19.5p
	Mid-range (60% maximum vesting)	14.3p	16.3p	18.8p	20.6p
	Maximum (100% maximum vesting)	15.1p	17.3p	19.9p	21.8p
30% Annualised TSR Annualised growth in total shareholder returns	Threshold (25% maximum vesting)	8.0% pa	8.0% pa	8.0% pa	8.0% pa
	Mid-range (60% maximum vesting)	11.3% pa	11.3% pa	11.3% pa	11.3% pa
	Maximum (100% maximum vesting)	15.0% pa	15.0% pa	15.0% pa	15.0% pa

Performance between these levels is determined on a straight-line basis and the performance periods for the awards were chosen to align with the financial year.

Awards granted under the LTIP 2020 vested on 21 December 2023. The three year performance period was from 1 July 2020 to 30 June 2023 rather than aligned with the financial year as the LTIP was granted late in the year due to Covid disruption. On the EPS performance target, the Adjusted EPS performance over the period was 16.01p and that equated to the vesting of 100% of the award subject to the 70% Adjusted EPS performance condition. On the TSR performance target, the share price at the start of the performance period was 105p and the share price on 30 June 2023 was 93p which was below the 8% Annualised TSR thresholds and equated to the vesting of 0% of the award subject to the 30% Annualised TSR performance condition.

Awards granted under the LTIP 2021 are due to vest on 8 June 2024. These had a three year performance period from 1 January 2021 to 31 December 2023. On the EPS performance target, the Adjusted EPS performance over the period was 15.52 and that equates to the vesting of 29.7% of the award subject to the 70% Adjusted EPS performance condition. On the TSR performance target, the share price at the start of the performance period was 130p and the share price on 31 December 2023 was 60.5p which is below the 8% Annualised TSR threshold and equates to the vesting of 0% of the award subject to the 30% Annualised TSR performance condition.

The charge for share based payments is detailed in note 25 to the Group financial statements.

SAYE participation

Christopher Lee and Claire Thomson were not eligible to participate in the 2023 SAYE opened in October 2023 as they are already included in the 2021 SAYE to the maximum amount offered to staff under the plan.

No SAYE was operated in 2022. As such, they continue to hold options as detailed below. The exercise price for these awards is 122p per Ordinary Share, representing a 20% discount to the closing market price of 152.50p per Ordinary Share on 13 September 2021, being the trading day before the invitation for eligible employees to participate was made.

Name	Award date	Granted in 2021	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 2023 and 31 December 2022 in the shares of the Company were:

	31 December 2023		31 December 2022	
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%	95,000	0.06%
David Moss	100,000	0.06%	n/a	n/a

Directors' remuneration for the year commencing 1 January 2024

Executive Directors basic pay 2024

In reviewing Executive Director basic pay in Q4 2023, 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. 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 4.0% and 4.1% respectively, which was below the average increase in basic pay awarded across the wider Group.

Name	Role	Base salary 2024	Base salary 2023
Christopher Lee	CEO	312,000	300,000
Claire Thomson	CFO	230,000	221,000

2024 Annual Bonus Plan Awards

The annual bonus plan for 2024 will operate in a similar way to 2022 and 2023. However, performance targets will be split so that 85% of total award is based on Operating Profit which the Committee continues to consider the most relevant key performance indicator for bonus purposes and 15% of total award is based on non-financial performance metrics, as follows:

- Customer Satisfaction, to be measured by the Net Promoter Score (NPS) metric in Brand Addition and Partner Retention Rate metric in Facilisgroup;
- Employee Engagement, to be measured by the score resulting from the annual employee survey within each of Brand Addition and Facilisgroup; and
- ESG and Sustainability to be measured by reference to Brand Addition's annual Ecovadis rating,

with 5% allocated to the achievement of each one.

LTIP for 2024

LTIP awards are planned for March 2024 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

One new Non-executive Director was appointed for an initial three-year term with effect from 22 June 2023.

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.

Name	Role	Committee Chair	Annual Fee 2024	Annual Fee 2023
Richard Law	Chair of the Group Board	Nomination	£110,000	£110,000
Yvonne Monaghan	Non-executive Director	Audit	£50,000	£50,000
Stuart Warriner	Non-executive Director	Remuneration	£50,000	£50,000
David Moss	Non-executive Director	n/a	£50,000	£26,350

Directors' Report

For the year ended 31 December 2023

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 2023.

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 page 17.

Results and dividends

The Group recorded revenue in the year of £124.2m (FY 22: £134.0m) and profit after tax of £5.8m (FY 22: £7.6m). No interim dividend has been paid in the year (FY 22: 0.6 pence per share as final dividend).

In respect of FY 22, the Board began to implement a progressive dividend policy for the Group which is to 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 1.2 pence per share for FY 23, a distribution totalling £2m, payable on 7 May 2024, subject to shareholder approval, to those shareholders on the register of members on 5 April 2024. The shares will trade ex-dividend on 4 April 2024.

Financial risk management

Information relating to the principal risks and uncertainties of the Group has been included within the Strategic report on pages 52-57. Further information relating to the financial risk of the Group has been included within note 24 to the Group financial statements.

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 2025. 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 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.

Further details on going concern are provided in note 2 to 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
- David Moss (appointed on 22 June 2023)

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 2024 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 2023 had the interests in the Ordinary Shares of the Company as shown in the table on page 94.

In addition to the interest in Ordinary Shares shown in the table on page 94, the Group operates a 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 2023 is shown below.

Name of Director	Number
Christopher Lee	883,175
Claire Thomson	652,065

The Group also operates a 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 2023 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 60.5p (31 December 2022: 90p) and the range of market prices during the year ended 31 December 2023 was between 52.5p and 118.5p.

Further details on related party transactions with Directors are provided in note 26 to 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 2023 and remains in force as at the date of this Report.

Significant shareholdings

Please see details of our major shareholders on the Company's website.

Employee Engagement Statement

Our Strategic report on page 18 sets out the arrangements made or maintained in 2023 aimed at providing employees systematically with information on matters of concern to them and consulting employees on a regular basis.

The 'Group Board Engagement with our businesses and employees' section on page 60 summarises how the Directors have engaged with employees and explains how the Group Board aims to provide employees systematically with information on matters of concern to them as employees and achieve a common awareness on the part of all employees of the financial and economic factors affecting the performance of the Group.

Our Strategic report on pages 18 and 34 summarises all employee engagement and how our Directors and Divisional Leads have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the Group or each Division during the financial year.

Those sections are incorporated by reference and form part of this Directors' Report.

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 34.

Statement on Engagement with other Stakeholders

The 'Fostering relationships with other stakeholders' section on page 62 summarises how the Directors have engaged with other stakeholders.

Our Strategic report on pages 18-21 summarises all stakeholder engagement and how our Directors and Divisional Leads have had regard to the need to foster other stakeholder relationships and the effect of that regard, including on the principal decisions taken by the Group or each Division during the financial year.

That section is incorporated by reference and forms 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 (2022: 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.

As at 31 December 2023, 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 2023 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 2023 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 2024 AGM. Further details are given in the 2024 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.

Directors' Report

For the year ended 31 December 2023

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 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 60-65 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

Our ESG Section on pages 26-44 contains disclosures of our UK energy use and GHG emissions, as required under the Companies (Directors' Report) and Limited Liabilities Partnerships (Energy & Carbon Report) Regulations 2019.

That section is incorporated by reference and forms part of this Directors' Report.

Independent auditors

During the year, the Audit Committee led a process for the selection and appointment of new external auditors for the Company and, in accordance with the recommendation of the Audit Committee, the Group Board has approved that a resolution to appoint BDO LLP as external auditors will be proposed to shareholders at the 2024 Annual General Meeting, to take effect from the closure of that meeting.

Further details of the Audit Committee's selection and appointment process can be found on pages 82-83.

By order of the Group Board

Lucy Penfold
Group General Counsel & Company Secretary
18 March 2024

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
18 March 2024

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 2023 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 2023; 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, comprising material accounting policy information and other explanatory information.

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 or its controlled undertakings 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 reporting components, as well as central operations.
- 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, inventory, 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, 86% of Group profit before tax and 84% of Group Adjusted EBITDA.

Key audit matters

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

Materiality

- Overall group materiality: £931,283 (2022: £451,050) based on 0.75% of Revenue (2022: based on 2.5% of Adjusted EBITDA).
- Overall company materiality: £838,154 (2022: £405,945) based on 1% of total assets, restricted to 90% of Group financial statement materiality.
- Performance materiality: £698,462 (2022: £338,287) (group) and £628,615 (2022: £304,458) (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.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Accuracy, existence/occurrence of capitalised development costs (group) Refer to Note 2k, Note 3b and Note 13 of the Notes to the group financial statements. The group capitalised costs of £7.6 million during the year ended 31 December 2023, of which £6.6 million relates to internally generated costs. Management prepared an accounting paper and uses this as their guide in capitalising such 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 obtained and reviewed the paper prepared by management in relation to the capitalised costs. We obtained the underlying schedules for the capitalised costs and tested the appropriateness and accuracy of the calculations by corroborating, for a sample of individuals, the amounts to payroll records. 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. In addition, we obtained and reviewed project budgets to confirm that the development meets the capitalisation criteria stated within IAS 38. In addition, we interviewed IT managers and engineers in order to validate the percentage of time capitalised per employee. We evaluated the disclosures included within the financial statements relating to capitalised development costs and found them to be appropriate and complete. We did not identify any material issues in our work in this area.

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

Report on the audit of the financial statements

Key audit matter	How our audit addressed the key audit matter
Risk of impairment of investments in subsidiaries and amounts owed by group undertakings (parent) The company has investments in subsidiaries of £113.6m (2022: £113.3m) and amounts owed by group undertakings of £78.3m (2022: £80.9m). Given the magnitude of both of these balances we considered the risk of impairment of these assets. Management performed an impairment assessment, for both balances, and have 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 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 Value in use model prepared for the purposes of assessing impairment. We recalculated historic growth rates and EBITDA margins, within managements impairment model, and noted that the forecasted rates are in line with historic rates and are deemed to be achievable. Initial models provided by management did not indicate an impairment of the goodwill balance. We challenged management on their assumptions and we were provided with additional sensitivities, which were challenged further but ultimately indicated no impairment. We inspected the results of P1 and P2 against forecast for the year to Dec-24, and noted that the business is exceeding forecasted results of revenue and EBITDA levels for the year to date. Based on the above procedures we concluded that there was no impairment to the carrying value of investments. 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 nine 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 Revenue 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, 86% of group profit before tax and 84% of group Adjusted EBITDA.

The impact of climate risk on our audit

As part of our audit we made enquiries of management toAs 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 26 to 44.

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 2023.

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	£931,283 (2022: £451,050).	£838,154 (2022: £405,945).
How we determined it	0.75% of Revenue (2022: based on 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, Revenue is the primary measure used by the shareholders in assessing the performance of the group.	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 £735,000 and £837,900. 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% (2022: 75%) of overall materiality, amounting to £698,462 (2022: £338,287) for the group financial statements and £628,615 (2022: £304,458) 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 £46,564 (group audit) (2022: £22,552) and £41,907 (company audit) (2022: £20,297) 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 2025;
- evaluating and assessing the process by which the group's future cash flow forecasts were prepared;
- agreeing the opening position of the group's cash flow forecasts to the 2023 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 2025;
- 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

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

Report on the audit of the financial statements

conditions for at least 12 months from the date of the approval of financial statements; 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 2023 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' 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 health and safety regulations, environmental laws and employment law, 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 corporate 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 operating profit, 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
18 March 2024

Consolidated income statement
For the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Revenue	4	**124,171**	134,025
Cost of goods sold	5	**(69,988)**	(81,279)
Gross profit		**54,183**	52,746
Operating expenses	5	**(46,185)**	(42,523)
Operating profit		**7,998**	10,223
Analysed as:			
Adjusted EBITDA[1]		**15,978**	18,042
Depreciation	14	**(2,248)**	(2,384)
Amortisation	13	**(5,184)**	(4,182)
Share-based payment charge	25	**(548)**	(1,253)
Total operating profit		**7,998**	10,223
Finance expense	7	**(589)**	(520)
Profit before taxation		**7,409**	9,703
Income tax expense	9	**(1,614)**	(2,090)
Profit for the year		**5,795**	7,613
Basic earnings per share	10	**3.46p**	4.55p
Diluted earnings per share	10	**3.45p**	4.54p

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

All results derive from continuing operations.

Consolidated statement of other comprehensive income
For the year ended 31 December 2023

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

Consolidated statement of financial position
As at 31 December 2023

	Note	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Intangible assets	13	**61,307**	60,002
Property, plant and equipment	14	**8,306**	9,492
Deferred tax asset	15	**282**	292
Total non-current assets		**69,895**	69,786
Current assets			
Inventories	16	**11,852**	15,447
Trade and other receivables	17	**30,158**	34,693
Cash and cash equivalents	18	**15,898**	15,058
Total current assets		**57,908**	65,198
TOTAL ASSETS		**127,803**	134,984
LIABILITIES			
Non-current liabilities			
Lease liability	19, 21	**6,130**	7,490
Deferred tax liability	15	**2,365**	2,860
Total non-current liabilities		**8,495**	10,350
Current liabilities			
Lease liability	20, 21	**1,494**	1,569
Trade and other payables	20	**28,965**	36,413
Current tax liability	20	**381**	1,063
Total current liabilities		**30,840**	39,045
TOTAL LIABILITIES		**39,335**	49,395
NET ASSETS		**88,468**	85,589
EQUITY AND RESERVES			
Share capital	22	**1,675**	1,675
Share premium	22	**78,451**	78,451
Own share reserve		**(227)**	–
Capital reserve		**125**	125
Merger reserve		**(103,581)**	(103,581)
Translation reserve		**(1,205)**	863
Share-based payment reserve		**2,005**	1,892
Retained earnings		**111,225**	106,164
TOTAL EQUITY AND RESERVES		**88,468**	85,589

The notes on pages 111-138 are an integral part of these financial statements.

The financial statements on pages 106-138 were approved by the Board of Directors and authorised for issue on 18 March 2024, and were signed on its behalf by:

Claire Thomson
Director
18 March 2024

Consolidated statement of changes in equity
For the year ended 31 December 2023

	Share capital £'000	Share premium £'000	Own share reserve £'000	Capital reserve £'000	Merger reserve £'000	Translation reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	**Total equity £'000**
At 1 January 2022	1,675	78,451	–	125	(103,581)	(1,327)	681	98,551	74,575
Profit for the year	–	–	–	–	–	–	–	7,613	7,613
Other comprehensive income for the year	–	–	–	–	–	2,190	–	–	2,190
Total comprehensive income	–	–	–	–	–	2,190	–	7,613	9,803
Employee share schemes – value of employee services (note 25)	–	–	–	–	–	–	1,196	–	1,196
Deferred tax on employee share schemes (note 15)	–	–	–	–	–	–	15	–	15
Total transactions with owners recognised in equity	–	–	–	–	–	–	1,211	–	1,211
At 31 December 2022	1,675	78,451	–	125	(103,581)	863	1,892	106,164	85,589
Profit for the year	–	–	–	–	–	–	–	5,795	5,795
Other comprehensive expense for the year	–	–	–	–	–	(2,068)	–	–	(2,068)
Total comprehensive (expense)/income	–	–	–	–	–	(2,068)	–	5,795	3,727
Dividend paid (note 12)	–	–	–	–	–	–	–	(1,005)	(1,005)
Purchase of own shares by EBT	–	–	(395)	–	–	–	–	–	(395)
Employee share schemes – value of employee services (note 25)	–	–	168	–	–	–	136	271	575
Deferred tax on employee share schemes (note 15)	–	–	–	–	–	–	(23)	–	(23)
Total transactions with owners recognised in equity		–	(227)	–	–	–	113	(734)	(848)
At 31 December 2023	**1,675**	**78,451**	**(227)**	**125**	**(103,581)**	**(1,205)**	**2,005**	**111,225**	**88,468**

The notes on pages 111–138 are an integral part of these financial statements.

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

Consolidated cash flow statement
For the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Profit before taxation		**7,409**	9,703
Adjustments for:			
Depreciation	14	**2,248**	2,384
Amortisation	13	**5,184**	4,182
Share-based payment charge	25	**548**	1,253
(Profit)/loss on disposal of fixed assets		**(18)**	19
Finance expense	7	**589**	520
Cash flows from operating activities before changes in working capital		**15,960**	18,061
Change in inventories	16	**3,595**	(5,354)
Change in trade and other receivables	17	**4,535**	(5,271)
Change in trade and other payables	20	**(7,422)**	7,263
Cash flows from operating activities		**16,668**	14,699
Income taxes paid		**(2,517)**	(1,712)
Net cash flows from operating activities		**14,151**	12,987
Cash flows from investing activities			
Purchase of property, plant and equipment	14	**(882)**	(945)
Purchase of intangible assets	13	**(7,648)**	(7,434)
Net cash flows used in investing activities		**(8,530)**	(8,379)
Cash flows from financing activities			
Lease payments		**(1,600)**	(1,737)
Interest paid	7	**(589)**	(520)
Dividends paid	12	**(1,005)**	–
Purchase of own shares by EBT		**(395)**	–
Net cash flows used in financing activities		**(3,589)**	(2,257)
NET CASH FLOWS		**2,032**	2,351
Cash and cash equivalents at beginning of year		**15,058**	12,051
Effect of exchange rate fluctuations on cash held		**(1,192)**	656
Cash and cash equivalents at end of year	18	**15,898**	15,058

The notes on pages 111-138 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 2025.

The forecasts and projections, which the Directors consider to be prudent, have been further sensitised by applying reductions to revenue growth and margin, to consider a severe but plausible downside. Under both the base and sensitised case the Group is expected to have headroom against covenants, which are based on interest cover and net leverage, and a sufficient level of financial resources available through existing facilities when the future funding requirements of the Group are compared with the level of committed available facilities. Based on this, the Directors are satisfied that the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing the financial statements. For this reason, they continue to adopt the going concern basis in preparing the Group and Company financial statements.

(c) Forward-looking statements

Certain statements in this 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 2023:

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

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

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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

(e) Basis of consolidation

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

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.

Employee Benefit Trust (EBT)

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

(f) Revenue

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

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

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

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

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

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

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

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

Brand Addition sale of promotional product

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

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

(g) 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) Alternative performance measures

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

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

See note 11 for the reconciliation of the APMs.

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

(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.

2. Accounting policies (continued)

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

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

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

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

(j) 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 13.

Customer relationships

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

Development costs

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

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

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

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

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

Computer software

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

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

- Customer relationships – 20 years; and
- Software and development costs – 3-5 years.

(l) Impairment losses

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

Notes to the Group financial statements
(continued)

2. Accounting policies (continued)

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

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

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

2. Accounting policies (continued)

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

(n) Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The functional and presentational currency is 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; and
- 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 14.

Short-term leases and low value assets

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

Notes to the Group financial statements

(continued)

2. Accounting policies (continued)

(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.

(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 other payables within trade and other payables in the statement of financial position. The assets of the plans are held separately from the Group in independently administered funds.

Share-based payments

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

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

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

(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 the US, a benefit of $0.3m has been received and credited to the income statement in 2023. This relates to the Employee Retention Credit available to certain eligible businesses that had employees and were affected during the Covid-19 pandemic. There are no unfulfilled conditions or other contingencies attached to this grant. In 2022, a benefit of £0.02m was received in Germany in relation to Bridging Assistance for companies that have suffered a decline in revenue as a result of the pandemic.

(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.

Own share reserve

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

Capital reserve

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

Merger reserve

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

Translation reserve

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

Retained earnings

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

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

2. Accounting policies (continued)

Dividends

Dividends are recognised when approved by the Group's shareholders or, in the case of interim dividends, when the dividend has been paid. No interim dividend has been paid in the year (2022: £nil). The Directors recommend the payment of a final dividend for 2023 of 1.2 pence per share (2022: 0.6 pence per share).

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

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

(a) Accounting estimates

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

Goodwill impairment

The Group tests goodwill for impairment every year in accordance with the relevant accounting policies. The recoverable amounts of cash-generating units are determined by calculating value in use. These calculations require the use of estimates. As part of these calculations, we have considered various sensitivities, explained in note 13. A 1% increase in the Weighted Average Cost of Capital (WACC) would reduce the total value in use by £21.5m (2022: £25.7m).

Goodwill relates to the various acquisitions made and amounts to £35,964,000 as at 31 December 2023 (2022: £36,139,000). The estimates used in the impairment calculation are set out in note 13. There is no significant risk of material adjustment to the carrying amount of the goodwill within the next 12 months. The sensitivities applied are explained in note 13.

Useful economic lives of intangible assets

The Directors have estimated the useful economic lives of the acquired customer intangible assets to be 20 years based upon attrition rates and the Directors' judgement. These lives are reviewed and updated annually. There is no significant risk of material adjustment to the carrying amount of the intangible assets within the next 12 months. No reasonable sensitivity performed in relation to the useful economic lives assumption would result in a material change in the carrying value of intangible assets.

Useful economic lives of property, plant and equipment

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

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

Share-based payment charge

Fair values used in calculating the amount to be expensed as a share-based payment is subject to a level of uncertainty. These fair values are calculated by applying a valuation model, which is in itself judgemental, and takes into account certain inherently uncertain assumptions. The basic assumptions that are used in the calculations are explained further in note 25. No reasonable sensitivity performed in relation to the share-based payment assumptions would result in a material change to the expense in the consolidated income statement.

(b) Accounting judgements

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

Capitalisation of internal development costs

Distinguishing the research and development phases of a new customised project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. There is also some judgement required in relation to the proportion of time capitalised for employees working on the development of internally generated intangible assets. After capitalisation, management monitors whether the recognition requirements continue to be met and at what point amortisation should commence, in addition to whether there are any indicators that capitalised costs may be impaired.

Capitalised development expenditure is analysed further in note 13.

4. Segmental analysis

The Chief Operating Decision Maker (CODM) has been identified as the Executive Directors. The Directors have determined that the operating segments, based on these financial statements, are:

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

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

Notes to the Group financial statements
(continued)

4. Segmental analysis (continued)

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

Major customers

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

Analysis of revenue by geographical destination

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

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

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

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

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

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

Income statement for the year ended 31 December 2023

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

4. Segmental analysis (continued)

Statement of financial position as at 31 December 2023

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

Notes to the Group financial statements
(continued)

4. Segmental analysis (continued)

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)

5. Expenses by nature

	2023 £'000	2022 £'000
Inventory recognised as an expense	**61,777**	71,649
Other cost of sales	**8,211**	9,630
Total cost of goods sold	**69,988**	81,279
Staff costs (note 6)	**27,496**	25,769
Depreciation of property, plant and equipment (note 14)	**2,248**	2,384
Amortisation of intangible assets (note 13)	**5,184**	4,182
Auditors' remuneration (note 8)	**406**	310
Share-based payment charge (note 25)	**548**	1,253
Foreign exchange (gain)/loss and movement in foreign exchange derivative contracts	**(146)**	65
Increase in provision for expected credit losses	**9**	34
Other external charges	**10,440**	8,526
Total operating expenses	**46,185**	42,523
Total cost of sales and operating expenses	**116,173**	123,802

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

Other external charges include a credit of £260,000 (2022: £24,000) from the use of Government schemes.

6. Staff costs

Personnel costs are analysed below.

	2023 £'000	2022 £'000
Staff costs (including Directors) consist of:		
Wages and salaries	**23,744**	22,423
Social security costs	**2,972**	2,666
Other pension costs	**780**	680
Total staff costs	**27,496**	25,769

Additional staff costs of £6,626,000 (2022: £5,797,000) have been capitalised as intangible assets (see note 13).

	2023 £'000	2022 £'000
Wages and salaries	**6,055**	5,749
Social security costs	**455**	31
Other pension costs	**116**	17
Total staff costs	**6,626**	5,797

6. Staff costs (continued)

Defined contribution scheme

The amount recognised in the income statement as an expense in relation to the Group's defined contribution schemes is £780,000 (2022: £680,000). Included within accruals and other payables is £98,000 (2022: £81,000) 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:

	2023 No.	2022 No.
By function:		
Management	**21**	17
Sales and distribution	**316**	287
Administration	**240**	252
Total employees	**577**	556

Key management compensation

Key management of the Group is considered to be the Board of Directors. Details of Directors' remuneration is disclosed in the Directors' Remuneration report on pages 86-95. Remuneration paid to these individuals on an aggregated basis is as follows:

	2023 £'000	2022 £'000
Salaries including bonuses and social security costs	**855**	943
Short-term benefits	**21**	27
Total remuneration	**876**	970

Key management compensation also includes amounts in respect of the LTIP, as disclosed in the Directors' Remuneration report on pages 86-95.

7. Finance expense

	2023 £'000	2022 £'000
Other interest	**190**	146
Unwind of discount finance costs on lease liabilities	**399**	374
Total finance expense	**589**	520

8. Auditors' remuneration

	2023 £'000	2022 £'000
Fees payable to the Company's auditors for the audit of The Pebble Group plc	**161**	105
Fees payable to the Company's auditors in respect of:		
Audit of the Company's subsidiaries	**245**	205
Total auditors' remuneration	**406**	310

Notes to the Group financial statements
(continued)

9. Income tax expense

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

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

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

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

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

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

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

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 Pebble Group plc Long Term Incentive Plan (LTIP), as defined by IFRS 2, are contingently issuable shares and are therefore only included within the calculation of diluted EPS if the performance conditions, as set out in note 25, are satisfied at the end of the reporting period, irrespective of whether this is the end of the vesting period or not.

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

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

Statutory EPS

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

Adjusted EPS

The calculation of adjusted earnings per share is based on the after-tax adjusted profit after adding back certain costs as detailed in the table in note 11. Adjusted earnings per share figures are given to exclude the effects of amortisation of acquired intangible assets, share-based payment charge and exceptional items, all net of taxation, and are considered to show the underlying performance of the Group.

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

See note 11 for the reconciliation of adjusted earnings.

Notes to the Group financial statements
(continued)

11. Alternative performance measures (APMs)

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

Adjusted earnings:

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

Adjusted EBITDA:

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

Adjusted operating profit:

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

Adjusted operating profit less finance costs:

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

12. Dividends paid and proposed

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

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

13. Intangible assets

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

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

The remaining amortisation periods for customer relationships are between 13 and 15 years (2022: 14 and 16 years) and for software and development costs are between 1 and 5 years (2022: 1 and 5 years).

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

Goodwill is attributed to the respective cash-generating units (CGUs) within the Group (Brand Addition and Facilisgroup). Goodwill has been tested for impairment by assessing the value in use of each CGU. The value in use calculations were based on projected cash flows in perpetuity. For both CGUs, budgeted cash flows for 2024 to 2028 were used. For Brand Addition, these were based on a forecast for 2024 with growth rates of 6% applied to EBITDA each year. For Facilis, these were based on forecasts for 2024 to 2025, with growth rates of 20% applied to revenue each year and an EBITDA return of 50% for 2026 and 55% for 2027 and 2028. Subsequent years were based on a reduced rate of growth of 2.0% (2022: 2.0%) into perpetuity. Appropriate adjustments were also made for changes in working capital and other cash flows to both CGUs.

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

Notes to the Group financial statements

(continued)

13. Intangible assets (continued)

The Directors used an estimated pre-tax market weighted average cost of capital (WACC) of 12.6% for Brand Addition and 13.9% for Facilisgroup (2022: 12.4% for Brand Addition and 13.6% for Facilisgroup) to discount the cash flows used for the CGUs. Sensitivities to revenue and margin, consistent with those used in the going concern analysis, were applied to each CGU. Additionally, the impact on headroom arising from a 2% increase in the WACC was also considered. The value in use calculations described above, together with sensitivity analysis using reasonably possible changes in the key assumptions as set out above, indicate the Group has adequate headroom and therefore do not give rise to impairment concerns.

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

Goodwill is attributable to the following segments:

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

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

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

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

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

14. Property, plant and equipment

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

Right-of-use assets – net book value

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

Notes to the Group financial statements

(continued)

15. Deferred tax assets and liabilities

Deferred tax assets/(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 2022	(1,556)	(1,587)	220	15	173	–	(2,735)
Tax (charge)/credit in respect of current year	(13)	102	160	–	(34)	259	474
Tax 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)
Tax credit/(charge) in respect of current year	262	102	(16)	138	(34)	(176)	276
Tax directly charged to equity	–	–	(23)	–	–	–	(23)
Foreign exchange translation	156	92	(8)	–	–	(8)	232
Balance at 31 December 2023	**(1,278)**	**(1,486)**	**348**	**153**	**105**	**75**	**(2,083)**

The above are disclosed in the statement of the financial position as a deferred tax asset of £282,000 (2022: £292,000) and a deferred tax liability of £(2,365,000) (2022: £(2,860,000)) resulting in a net deferred tax position of £(2,083,000) (2022: £(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 31 December 2023, £214,000 (2022: £34,000) of the deferred tax asset and £788,000 (2022: £508,000) 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 (2022: £9,900,000) and in respect of trading losses of £657,000 (2022: £657,000). 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.

16. Inventories

	2023 £'000	2022 £'000
Finished goods for resale	**11,852**	15,447
Total inventories	**11,852**	15,447

Inventories are stated after provisions for impairment of £375,000 (2022: £292,000).

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

17. Trade and other receivables

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Trade receivables not past due	**19,222**	24,440
Trade receivables past due	**5,782**	5,901
Provision for trade receivables	**(60)**	(73)
Trade receivables net	**24,944**	30,268
Other debtors	**2,060**	2,002
Prepayments	**3,154**	2,423
Total trade and other receivables	**30,158**	34,693

Other debtors include amounts relating to other taxes and social security and supplier rebates.

Currency analysis

	2023 £'000	2022 £'000
Sterling	**5,222**	8,054
Euro	**9,199**	10,419
US Dollar	**12,380**	12,234
Chinese Renminbi	**2,042**	2,800
Other	**1,315**	1,186
Total trade and other receivables	**30,158**	34,693

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 loss 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 certain financial assets (which comprise trade receivables and other debtors) is analysed below.

			2023			2022
	Gross £'000	Provision £'000	Net £'000	Gross £'000	Provision £'000	Net £'000
Trade and other receivables:						
Not yet due	**21,283**	**–**	**21,283**	26,442	–	26,442
Up to 3 months overdue	**4,020**	**–**	**4,020**	4,057	–	4,057
3 to 6 months past due	**1,395**	**–**	**1,395**	1,722	–	1,722
Over 6 months past due	**366**	**(60)**	**306**	122	(73)	49
	27,064	**(60)**	**27,004**	32,343	(73)	32,270

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.

Notes to the Group financial statements
(continued)

18. Cash and cash equivalents

	2023 £'000	2022 £'000
Cash and cash equivalents	**15,898**	15,058

Currency analysis

	2023 £'000	2022 £'000
Sterling	**1,592**	3,060
Euro	**7,363**	5,045
US Dollar	**5,616**	4,976
Other	**1,327**	1,977
Total cash and cash equivalents	**15,898**	15,058

19. Non-current liabilities

	2023 £'000	2022 £'000
Lease liability (note 21)	**6,130**	7,490

Currency analysis

	2023 £'000	2022 £'000
Sterling	**1,461**	1,855
Euro	**1,361**	1,632
US Dollar	**3,231**	3,923
Chinese Renminbi	**–**	49
Other	**77**	31
Total lease liability	**6,130**	7,490

20. Current liabilities

	2023 £'000	2022 £'000
Lease liability (note 21)	**1,494**	1,569
Lease liability	**1,494**	1,569
Corporation tax	**381**	1,063
Current tax liability	**381**	1,063
Trade payables	**17,351**	22,342
Other taxation and social security	**279**	475
Other payables	**577**	765
FX derivative	**8**	196
Accruals	**5,022**	6,621
Contract liabilities	**5,728**	6,014
Trade and other payables	**28,965**	36,413
Total current liabilities	**30,840**	39,045

Revenues totalling £4,537,000 were recognised in the year ended 31 December 2023 that were included in the contract liabilities balance as at 31 December 2022 (£4,460,000 recognised in the year ended 31 December 2022 that were included in the contract liabilities balance as at 31 December 2021).

20. Current liabilities (continued)

Currency analysis

	2023 £'000	2022 £'000
Sterling	**8,447**	16,330
Euro	**8,375**	8,903
US Dollar	**12,156**	11,694
Chinese Renminbi	**1,429**	1,510
Other	**433**	608
Total current liabilities	**30,840**	39,045

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

21. Leases

Amounts recognised in the statement of financial position

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

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

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

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

Notes to the Group financial statements

(continued)

21. Leases (continued)

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

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

The above leases relate to office space, computer equipment and motor vehicles. The net book value by category is set out in note 14.

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

22. 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 2023 and 31 December 2023	**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.

In 2023, the EBT purchased a total of 716,195 Ordinary Shares at a price of £0.55 per share, which were used to satisfy the exercise of 303,558 LTIP options. The EBT did not sell any shares and the remaining 412,637 shares are held by the Trust.

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

	1 January 2023 £'000	New leases £'000	Lease disposals £'000	Cash flow £'000	Foreign exchange translation £'000	31 December 2023 £'000
Cash at bank and in hand	**15,058**	**–**	**–**	**2,032**	**(1,192)**	**15,898**
Lease liability	**(9,059)**	**(505)**	**60**	**1,600**	**280**	**(7,624)**
Net cash/(debt)	**5,999**	**(505)**	**60**	**3,632**	**(912)**	**8,274**

	1 January 2022 £'000	New leases £'000	Lease disposals £'000	Cash flow £'000	Foreign exchange translation £'000	31 December 2022 £'000
Cash at bank and in hand	12,051	–	–	2,351	656	15,058
Lease liability	(7,772)	(2,471)	2	1,737	(555)	(9,059)
Net cash/(debt)	4,279	(2,471)	2	4,088	101	5,999

24. 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 17, 18, 19 and 20.

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 £576,000 (2022: £569,000) and net assets would decrease by £3,597,000 (2022: £1,225,000). For a 10% weakening of the Sterling exchange rate, operating profit would increase by £704,000 (2022: £696,000) and net assets would increase by £4,399,000 (2022: £1,496,000).

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 17.

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 expiring in January 2026, with the option to extend to January 2027. Interest was charged at a rate of SONIA + 2.0%. As at 31 December 2023, the balance on the facility was £nil (2022: £nil). There is also revolving credit facility of 10,000,000 RMB for Brand Addition (Shanghai) Trading Co. Limited. As at 31 December 2023, the balance on the facility was £nil (2022: £nil).

Notes to the Group financial statements

(continued)

24. 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:

	2023 £'000	2022 £'000
Financial assets		
Financial assets measured at amortised cost		
Trade and other receivables	**27,004**	32,270
Cash and cash equivalents	**15,898**	15,058
	42,902	47,328
Financial liabilities		
Financial liabilities measured at amortised cost		
Non-current:		
Lease liability	**(6,130)**	(7,490)
Current:		
Lease liability	**(1,494)**	(1,569)
Trade and other payables	**(17,928)**	(23,107)
Accruals	**(5,022)**	(6,621)
	(30,574)	(38,787)
Financial liabilities measured at fair value through profit or loss		
FX derivative liability	**(8)**	(196)
	(30,582)	(38,983)
Net financial assets and liabilities	**12,320**	8,345

The maturity analysis for lease liabilities is presented in note 21. All other financial liabilities have a maturity of less than 12 months (i.e. are all current).

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 on the previous page.

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 above. 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 $5,440,000 and €11,500,000. The contracts mature within 1 to 12 months of the year end.

25. Share-based payments

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

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

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

The Pebble Group plc Long Term Incentive Plan (LTIP)

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

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

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

Details of the maximum total number of Ordinary Shares which may be issued in future periods in respect of LTIP awards outstanding at 31 December 2023 are shown below.

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

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

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

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

Notes to the Group financial statements

(continued)

25. Share-based payments (continued)

The Pebble Group plc Group Sharesave Plan (SAYE)

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

The SAYE provides for an exercise price equal to the quoted mid-market price of the Company shares on the business day immediately preceding the date of grant, less a discount of 20 per cent. The vesting period under the scheme is three years with no performance conditions, other than remaining a Group employee, attached to the options.

In 2023 under the SAYE, the Group made awards of 417,932 (2022: nil) conditional shares to certain Directors and employees.

Details of the maximum total number of Ordinary Shares which may be issued in future periods in respect of SAYE awards outstanding at 31 December 2023 are shown below.

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

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

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

26. 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 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Property, plant and equipment	6	**90**	–
Investments	7	**113,617**	113,276
		113,707	113,276
Current assets			
Trade and other receivables (including £78,500,000 (2022: £81,066,000) falling due after more than one year)	8	**78,713**	81,122
Cash and cash equivalents		**1,374**	–
		80,087	81,122
Creditors: amounts falling due within one year	10	**(821)**	(288)
Net current assets		**79,266**	80,834
Total assets less current liabilities		**192,973**	194,110
Net assets		**192,973**	194,110
Equity			
Called up share capital	12	**1,675**	1,675
Share premium account		**78,451**	78,451
Own share reserve		**(227)**	–
Capital reserve		**125**	125
Merger relief reserve		**713**	713
Share-based payment reserve	13	**1,970**	1,842
Retained earnings		**110,266**	111,304
Total equity		**192,973**	194,110

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 £304,000 (2022: £30,000).

The Company financial statements on pages 139-146 were approved by the Board of Directors on 18 March 2024 and were signed on its behalf by:

Claire Thomson
Director
18 March 2024

The notes on pages 141-146 form part of these Company financial statements.

Company statement of changes in equity
For the year ended 31 December 2023

	Share capital £'000	Share premium account £'000	Own share reserve £'000	Capital reserve £'000	Merger relief reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2022	1,675	78,451	–	125	713	681	111,334	192,979
Loss for the year	–	–	–	–	–	–	(30)	(30)
Total comprehensive expense	–	–	–	–	–	–	(30)	(30)
Employee share schemes – value of employee services (note 13)	–	–	–	–	–	1,196	–	1,196
Deferred tax on employee share schemes (note 9)	–	–	–	–	–	(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
Loss for the year	–	–	–	–	–	–	(304)	(304)
Total comprehensive expense	–	–	–	–	–	–	(304)	(304)
Dividends paid (note 5)	–	–	–	–	–	–	(1,005)	(1,005)
Purchase of own shares by EBT	–	–	(395)	–	–	–	–	(395)
Employee share schemes – value of employee services (note 13)	–	–	168	–	–	136	271	575
Deferred tax on employee share schemes (note 9)	–	–	–	–	–	(8)	–	(8)
Total transactions with owners recognised in equity	–	–	(227)	–	–	128	(734)	(833)
Balance at 31 December 2023	**1,675**	**78,451**	**(227)**	**125**	**713**	**1,970**	**110,266**	**192,973**

The notes on pages 141-146 form part of these Company financial statements.

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

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 £304,000 (2022: £30,000). 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 2025 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 at least 12 months from the date of signing the financial statements. For this reason, they continue to adopt the going concern basis in preparing the 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 (2022: £nil). The Directors recommend the payment of a final dividend for 2023 of 1.2 pence per share (2022: 0.6 pence per share).

(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 in the employing company's income statement with the credit side of the entry being recorded in equity. Remuneration relating to subsidiary undertakings are recognised as an increase in investment to that subsidiary.

Notes to the Company financial statements

(continued)

2. Accounting policies (continued)

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.

(i) 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.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

(k) Tangible assets and depreciation

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

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

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

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

(l) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

(m) 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.

(n) 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.

(o) Own share reserve

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

Employee Benefit Trust

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

(p) Capital reserve

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

(q) 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.

(r) 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.

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 2023 and, as such, a full impairment review over the Company's investments in subsidiaries and intercompany receivables was not performed.

4. Remuneration of Directors and auditors

Details of Directors' remuneration are shown in the Directors' Remuneration report on pages 86-95. Details of auditors' remuneration are shown in note 8 to the Group financial statements. In 2023, the Company had nine employees that were transferred from Project Amber Bidco Limited (2022: none).

A proportion of the emoluments of the Company's Directors are recharged to other companies in the Group. The total remuneration incurred by the Company in the year was £315,000 (2022: £533,000).

Highest paid Director

The highest paid Director's emoluments incurred by the Company during the financial year was as follows:

	2023 £'000	2022 £'000
Salaries including bonuses and social security costs	170	291
Short-term benefits	10	15
Total remuneration	180	306

5. Dividends paid and proposed

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

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

6. Property, plant and equipment

	Fixtures and fittings £'000	Computer hardware £'000	Total £'000
Cost			
Balance at 1 January 2023	–	–	–
Additions	83	23	106
Balance at 31 December 2023	**83**	**23**	**106**
Accumulated depreciation			
Balance at 1 January 2023	–	–	-
Charge for the year	13	3	16
Balance at 31 December 2023	**13**	**3**	**16**
Net book value			
Balance at 31 December 2022	–	–	–
Balance at 31 December 2023	**70**	**20**	**90**

Notes to the Company financial statements
(continued)

7. Investments

	£'000
Cost and carrying amount	
Balance at 1 January 2022	112,291
Movement relating to share options	985
Balance at 31 December 2022	113,276
Movement relating to share options	341
Balance at 31 December 2023	**113,617**

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

The Company owns the whole of the issued Ordinary Shares of the following subsidiary undertakings:

Name	Registered address	Principal activity	Class of share	Percentage holding
Project Amber Bidco Limited H.I.G Milan UK Bidco Limited Brand Addition Limited	Broadway Trafford Wharf Road Manchester M17 1DD	Holding company Holding company Promotional merchandise	Ordinary Ordinary Ordinary	100% 100% 100%
Brand Addition Asia Limited	Unit 1605 16th Floor Tower 3 Enterprise Square No. 9 Sheung Yuet Road Kowloon, Hong Kong	Promotional merchandise	Ordinary	100%
Brand Addition Ireland Limited	Unit G2 Calmount Business Park Ballymount, Dublin 12	Promotional merchandise	Ordinary	100%
Brand Addition Reklam Urunleri Dagitim ve Ticaret Limited Sirketi	Buyukdere Caddesi Meydan Sokak Spring Giz Plaza Kat:13 Sisli-Istanbul, Turkey	Promotional merchandise	Ordinary	100%
Brand Addition (Shanghai) Trading Co., Limited	Unit 903-905 T2 Building, VIPARK 500 Xinlong Road Minhang District Shanghai, China	Promotional merchandise	Ordinary	100%
H.I.G. Milan Germany Bidco GmbH Brand Addition GmbH	Europastrasse 19a 45888 Gelsenkirchen, Germany	Holding company Promotional merchandise	Ordinary Ordinary	100% 100%
The Pebble Group US Bidco Inc. Gateway CDI Inc.	909 North 20th Street Saint Louis, MO 63103	Holding company Promotional merchandise	Ordinary Ordinary	100% 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 Project Amber Bidco Limited, which is directly held by the parent, all subsidiaries are indirectly held.

All subsidiaries listed above are included in the consolidated financial statements.

8. Trade and other receivables

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Prepayments	**145**	56
Capitalised refinancing fees	**68**	–
	213	56
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	**78,308**	80,911
Capitalised refinancing fees	**68**	–
Deferred tax assets (note 9)	**124**	155
	78,500	81,066
Total trade and other receivables	**78,713**	81,122

Amounts owed by Group undertakings falling due after more than one year are unsecured, repayable in greater than one year and bear interest at market rates.

9. Deferred tax assets

Deferred tax assets are analysed as follows:

	2023 £'000	2022 £'000
Accelerated depreciation	**(19)**	–
Other short-term timing differences	**143**	155
	124	155

The above amounts reflect the differences between the carrying and tax amounts as at each year end. Of the deferred tax balances at 31 December 2023, £2,000 (2022: £nil) of the deferred tax asset is expected to be utilised within one year.

Changes during each year are as follows:

	Accelerated depreciation £'000	Share options £'000	Short-term timing differences £'000	Total £'000
Balance at 1 January 2022	–	96	–	96
Tax credit in respect of current year	–	94	–	94
Tax directly charged to equity	–	(35)	–	(35)
Balance at 31 December 2022	–	155	–	155
Tax (charge)/credit in respect of current year	(19)	(6)	2	(23)
Tax directly charged to equity	–	(8)	–	(8)
Balance at 31 December 2023	**(19)**	**141**	**2**	**124**

Notes to the Company financial statements
(continued)

10. Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Accruals	**364**	288
Other payables	**7**	–
Other tax and social security	**64**	–
Amounts owed to Group undertakings	**386**	–
Total creditors	**821**	288

Amounts owed to Group undertakings falling due within one year are unsecured, have no fixed date of repayment and are repayable on demand.

The Company is party to a Group cross-guarantee banking arrangement, which is a revolving credit facility of £10,000,000 expiring January 2026, with the option to extend to January 2027. Interest was charged at a rate of SONIA + 2.0%. As at 31 December 2023, the balance on the facility was £nil (2022: £nil). There is also a revolving credit facility of 10,000,000 RMB for Brand Addition (Shanghai) Trading Co. Limited, which is guaranteed by the Company. At 31 December 2023, the balance on the facility was £nil (2022: £nil). Details over financial risk management are set out in note 24 to the Group financial statements.

11. Leases

The charge relating to rentals under operating leases in 2023 was £16,869 (2022: £nil).

The Company had minimum lease payments under non-cancellable operating leases as set out below.

	2023 £'000	2022 £'000
Less than one year	**51**	–
More than one year, less than two years	**43**	–
More than two years, less than three years	**43**	–
More than three years, less than four years	**28**	–
More than four years, less than five years	**1**	–
Total leases	**166**	–

12. Called up share capital

Details of movements in shares are set out in note 22 to the Group financial statements.

13. Share-based payments

Details of share-based payments are set out in note 25 to the Group financial statements.

14. 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 2023
Preliminary announcement of full year results	18 March 2024
Publication of Annual Report and financial statements	27 March 2024
Annual General Meeting	30 April 2024
Preliminary announcement of half year results	September 2024
Financial year end	31 December 2024

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