THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF REGULATION 2014/596/EU (WHICH FORMS PART OF DOMESTIC UK LAW PURSUANT TO THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (THE "EUWA")) ("UK MAR"). UPON THE PUBLICATION OF THIS ANNOUNCEMENT, THIS INSIDE INFORMATION (AS DEFINED IN UK MAR) IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN.

Brand Architekts Group plc

(“Brand Architekts” or the “Group”)

Final Results

Brand Architekts Group plc, a market leader in the development and supply of beauty and personal care brands, announces its Full Year results to 30 June 2022.

The year under review reflects one of the most turbulent and testing for our business, as we have been faced with the ongoing impact of COVID related supply chain issues affecting retailers’ buying patterns, freight costs, labour inflation and therefore margin. Despite this, good progress has been made in several key areas.

Business highlights:

- Transitioned the business strategy to focus on profitability and our Invest & Nurture brands.
- Successful relaunch of seven brands in September & October 2021 (Dr Salts; Root Perfect; Argan +; SenSpa; Kind Natured; Happy Naturals; Beautopia).
- The relaunch of Root Perfect resulted in strong distribution gains in 300+ Normal stores across Europe and Morrisons UK.
- An increase in International sales driven by Dirty Works distribution gains (Peru, Chile, USA).
- Continued UK distribution gains for Super Facialist (Tesco, Morrisons; Look Fantastic)
- Successfully completed the acquisition of Innovaderma PLC in May 2022 and subsequent integration of brands and team is on track

Financial highlights:

- Group statutory revenue of £14.3 million (FY 2021: £15.9m), a decrease of 10% as the Group navigated the challenging external environment and the impact of reduced consumer confidence on demand.
- Excluding the contribution from Innovaderma, which was successfully acquired on 31 May 2022 and which delivered £0.8m of sales in June, organic sales decreased 15% on the prior year.
- Underlying gross profit margin, which excludes exceptional adjustments (in the comparative period), was significantly impacted and declined to 33.5% (2021: 36.9%). This reflects a wide range of cost pressures felt throughout our supply chain, that we could not pass onto retailers due to previously agreed pricing commitments.
- Given the challenging trading environment the Group generated an underlying operating loss of £1.8m, £1.5m higher than the prior year (2021: £0.3m).
- The Group retains a net cash position of £11.3m at the year end (after the payment of the £2.0m cash consideration to acquire Innovaderma and the majority of the associated transaction costs (£0.8m).

	2022	2021
Reported results from continuing operations		
Revenue (Note 2 of the financial statements)	£14.3m	£15.9m
Underlying operating loss[1]	£(1.8)m	£(0.3)m
Loss before taxation	£(4.1)m	£(1.9)m
Basic loss per share	(23.9)p	(13.1)p
Net cash	£11.3m	£19.0m

[1]Underlying operating loss is calculated before exceptional items, share-based payments and amortisation of acquisition-related intangibles.

Quentin Higham, Chief Executive, commented:

"The past year has been set against a backdrop of exceptional macroeconomic headwinds. The Group has faced unprecedented challenges as a result and we have had to show agility in order to continue to deliver for our customers. I would like to thank all of our colleagues who have worked tirelessly throughout the period and continue to show their commitment to Brand Architekts.

The acquisition of Innovaderma was a significant milestone for the Group. We now have an improved portfolio of core brands that we can scale, as well as realising the benefits of a number of cost synergies. We are focused on successfully delivering our integration plan, growing our international presence and implementing strategies that focus on profitability, whilst capitalising on the Group's new online presence, as well as its retailer customer base.

Whilst we recognise that the future is difficult to predict with any certainty as the true impact of the inflationary environment remains unknown, we remain confident in our long-term strategy. The past few years have not been easy, but NPD continues at pace, and we have diversified products, channels and markets which stand us in good stead. This gives us confidence for our future and in our ability to deliver value for our shareholders."

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Chairman's Statement

The period under review has been one of the most turbulent and testing for our business, as we have been faced with the ongoing impact of COVID related supply chain issues, affecting retailers' buying patterns, freight costs, labour inflation and therefore margin. Whilst we are very disappointed with our financial performance, good progress has been made in several key areas. My executive colleagues have worked hard to better position the business, by initiating a deep dive review of our brand portfolio, so that we focus on driving profitability by focussing on our brands that are margin accretive and provide problem-solving solutions. The acquisition of Innovaderma plc towards the end of the financial year was an important step forward for the business, bringing a strong brand, Skinny Tan, to our portfolio as well as accelerating our digital skills.

The Group delivered turnover of £14.3 million (FY 2021: £15.9m), a decrease of 10%. Excluding the contribution from Innovaderma, which was successfully acquired on 31 May 2022 and which delivered £0.8m of sales in June, Group sales decreased 15% on the prior year. The Group retains a net cash position of £11.3m at the year end (after the payment of the cash consideration to acquire Innovaderma and the majority of the associated transaction costs). Given the exacting trading environment the Group generated an underlying operating loss of £1.8m, £1.5m higher than the prior year (2021: £0.3m).

Despite these challenges, we have focused on implementing and making progress against our brand development and brand reach strategic pillars. Our goal to reach £50m of revenue by 2025 has been significantly affected by the wider external environment, therefore it is difficult to predict when we will achieve this milestone. We have taken the decision to refocus the strategy, with an emphasis on a return to profitability.

Notwithstanding the external factors, good progress has been made during the period and post period-end, including:

- transition of the business strategy to focus on profitability and our Invest and Nurture brands
- successful relaunch of seven brands in September and October 2021 (Dr Salts; Root Perfect; Argan +; SenSpa; Kind Natured; Happy Naturals; Beautopia).
- the relaunch of Root Perfect resulted in strong distribution gains in 300+ Normal stores across Europe and Morrisons UK.
- an increase in International sales driven by Dirty Works distribution gains (Peru, Chile, USA)
- continued UK distribution gains for Super Facialist (Tesco, Morrisons; Look Fantastic)
- successful integration of the Innovaderma brands and team

Further information of the development of our strategic pillars into next year can be found in the CEO's Statement.

Across the Group, we have gained significant experience throughout the year as we emerge into a new marketplace that has come through COVID and is now battling unprecedented external challenges. We are still on our journey, but it is imperative that we reflect and adapt in order to ensure that we are well placed to realise our ambitions.

On 31 May 2022, we completed the acquisition of Innovaderma plc. The combined Group is now of greater scale with strong financial foundations, has a portfolio of problem-solving challenger brands and several complementary competencies. The management team are focused upon realising both the strategic and financial benefits of the newly transformed Group. The immediate priorities that lie ahead are successfully delivering our integration plan, growing our international presence and implementing strategies that focus on profitability, whilst capitalising on the Group’s new online presence, as well as its retailer customer base.

Following the completion of the acquisition of Innovaderma, we were pleased to appoint Simon Pyper as an independent Non-Executive Director. Simon’s first-hand knowledge of Innovaderma is proving to be invaluable in ensuring a smooth integration of the business. He also brings financial governance expertise, extensive experience from the retail sector, broad development and implementation of M&A strategies and an excellent track record in delivering revenue and earnings growth.

As previously announced, it is intended that Edward Beale will retire as a Non-Executive Director following the publication of these results. Following Edward's retirement, Simon will take the role of Chairman of the Audit Committee.

<u>Outlook</u>

We face a very challenging marketplace with headwinds including inflation, reduction of consumer discretionary spend, retailer intransigence and a more challenging DTC environment. Our long-term goals remain in place, but our short-term objectives demand an early return to profitability and cash generation whilst preserving our balance sheet strength. We will look to build on the combination with Innovaderma and all the good repositioning work already done by the executive team. We will be focussing on improving DTC profitability and working hard with our suppliers to mitigate cost price increases. The immediate outlook, however, is challenging but we remain positive for our future development and we are alive to opportunities.

On behalf of the Board, I would like to thank our staff for their hard work and commitment throughout a period of challenges and of change.

CEO Statement

As the Chairman has outlined, 2022 proved to be a particularly exacting and disappointing year, given how the residual impact of COVID-19 and the well documented socio-economic and geopolitical issues adversely affected supply chains, costs, logistics and consumer confidence. Despite these challenges the team continued to embody our corporate values of collaboration, passion, agility and innovation and remained focused on developing and implementing the transformational strategies that will enable the Group to be better equipped to manage any economic turbulence and accelerate our growth aspirations. The notable success of the year has been the acquisition of Innovaderma plc. Bringing together two great teams, a complementary portfolio of brands and cross functional skills, the acquisition will help address the inherent issues of scale and unbalanced trading patterns, as well as bringing in greater DTC expertise.

Two years ago, we launched our Project 50 vision, which we stated would be driven by organic growth and through M&A. Since the completion of the acquisition, our focus has been on realising the strategic and financial benefits of the deal to help transform the Group. Immediate priorities have been implementing an effective integration plan, focussing on an omni-channel sales approach (domestic and internationally) and delivering both operations' strategies. The acquisition has allowed us to review our strategic goals and adapt them to reflect the needs of the enlarged business and the change in global trading conditions, in particular the effect of increased costs on our gross margins. The effects on the supply chain and our manufacturing costs, has meant that our overall group strategy must evolve, so that we make delivering profit our highest priority. Although net sales growth remains an important financial deliverable, given our issue of scale, our number one focus is improving group margin and therefore profit. Over the next few years, we will focus our resources on developing brands and categories that can command higher retail prices, engender strong consumer loyalty and stronger margins by delivering highly efficacious problem-solving solutions.

As we transition it is vital that we learn and adapt our strategy, but remain focused on developing our brand development, brand reach and environmental strategic pillars. Brand Architekts' business proposition and ultimately its point of difference, will be to develop and market brands that address specific consumer needs through the development of performance led products that utilise either proprietary technology or bespoke formulations, whilst at the same time "exceeding the expectations of everyday beauty".

1. Brand Development

Over the next three years we will look to evolve away from fragrance led, indulgent and gift brands categories and focus our resources on developing profitable solution-led brands. Despite the obvious benefits of an enlarged group, we now have a portfolio of 18 brands, some of which are subscale and do not contribute an appropriate level of return relative to the ongoing investment required. We have taken time to review and question the role that each brand and category can, and should play, in the group. This will help the business prioritise and focus.

The portfolio is now split into 3 brand categories: **Invest; Nurture and Harvest.**

Invest Brands are those that have omnichannel distribution, including their own DTC platform. These brands, such as Skinny Tan and Super Facialist, have a masstige positioning and provide existing scale, but also have significant potential. In line with consumer trends and behaviour we will be focusing our effort on categories such as skincare and self tan, but also on high margin subcategories, such as body & hair treatments. These brands are expected to deliver strong gross margins, which will allow the business to put in place comprehensive growth plans. Growth will be accelerated by medium to high A&P investment into 360-degree marketing plans, predominantly with a digital focus.

Nurture brands encompass those brands within the portfolio that have exciting potential to broaden from both a brand development and brand reach perspective. Alternatively, they could be high-performance propositions, with a clear point of difference, answering the needs of the consumer.

Whilst we undergo this business transition, it is important that we continue to manage a portfolio of low investment **Harvest Brands**. These brands require minimal investment, competing on price and providing us with a stronger category share of voice. These brands can be either niche or channel exclusive and play a role in offsetting corporate overheads, so that we can fund New Business Development.

The following strategic Brand Development tenets will be applied to our **Invest** and **Nurture** brands:

- **Profitability:**

Over the mid-term we will be looking to improve our profitability by increasing the share of higher margin brands/products within the portfolio (i.e. Super Facialist and Skinny Tan). We will also aim to improve the profitability of our brands with cost efficiency initiatives.

- **NPD/Consumer Insights**

As a business we continuously review market data to understand our performance in relation to our competitors, whilst also monitoring consumer trends and working closely with our manufacturers' R&D departments. The marketing team have been working on several new brand initiatives for the forthcoming year. In September 2022 we launched Clear Skin, a new sub-brand of Super Facialist, specifically targeted at spot prone women, as well as several brand extensions (Super Facialist Salicylic Acid). By January 2023 we will have launched several exciting Skinny Tan extensions (Coconut Water and new Tanning Whips) and by Spring 2023 we will have relaunched the Super Facialist for Men range and the MR Haircare brand, alongside some channel exclusive brand extensions.

- **Digital 1st**

Digital is transforming how consumers live, learn and shop and how brands and retailers plan, promote, sell and deliver. We now live in a world consisting of a multiple digital channels, devices and platforms, providing ever more choice. Ecommerce channels, such as Amazon are now becoming media channels, where brand awareness is built, whilst social channels, like Tik Tok, are becoming increasingly more commercial. The lines are being blurred and the quest for consumers requires greater creativity, agility, testing and learning. Although Brand Architekts only recently started out on its digital transformation journey, the Innovaderma acquisition has accelerated this, so that we are more digitally savvy. Over the next 24 months, the digital first mantra must permeate throughout all touch points of the business.

Primarily an omnichannel brand, Skinny Tan is positioned and marketed as a digital first brand. New products are launched onto the DTC site, supported with comprehensive marketing activity, so as to engage with its consumers and grow its digital footprint. We will now be applying this approach to all our **Invest** brands, whether we launch initially on The Unexpekted Store, Amazon or potentially onto new DTC websites. To engage with today's consumer, it is vitally important to build each brand's digital footprint, whether this is through online or offline marketing; paid online advertising or through social engagement (Facebook, Instagram, Tik Tok). For brands to be considered by consumers and customers alike, it is important that we invest in digital initiatives.

- **Advertising & promotions (A&P)**

A&P budgets are prioritised to support our **Invest and Nurture** brands, with the objective of raising awareness and stimulating trial to drive distribution gains. Firstly, we support these brands with well-developed promotional and PR campaigns; secondly with the creation of digital assets which initiate social engagement; thirdly with specific digital campaigns and always on digital activity.

- **Portfolio management and Mergers & Acquisitions (M&A)**

In addition to the repositioning of the Group's brand portfolio, we continue to evaluate new acquisition opportunities. Our immediate priority is to fully integrate the Innovaderma brands and people into our operation, but we believe that we have the right structure and solid foundations to readily add additional brands into the group.

2. Brand Reach

- **UK**

Super Facialist's success in the retail channel was further improved in June 2022, when we expanded the distribution by launching 14 products into 500 Tesco stores. As Super Facialist now has strong distribution, the focus will now be on ensuring that Super Facialist has the right level of support and A&P investment, to merit improvements in shelf position and sterling weighted distribution.

Skinny Tan’s strategy is to initially launch all products on its DTC channel, supporting it with extensive online and offline marketing initiatives. This helps drive overall omnichannel sales and build brand awareness. Over the last 12 months we’ve seen a strong open and click rate, significantly higher than industry average, that is driving high repeat purchase and customer retention. The brand has shown good growth in Boots and will be launching into Sainsbury’s in September 2022.

We believe that Amazon will continue to grow and become one of the most important beauty retailers in the UK. It is also becoming more important as a shop window that retail buyers monitor. Therefore, we will be increasing our investment into Amazon to maximize the revenue of our omnichannel brands and build our **Invest** and ***Nurture*** brands. This will be done by ensuring that all products benefit from Amazon A star content and profitable paid advertising. We will also use Amazon as a strategic channel for launching brands. The main focus will continue to be problem-solving categories, but we will also explore developing products to meet the specific needs of Amazon.

- **DTC**

Skinny Tan has a sophisticated DTC platform and marketing framework, and work will continue over the coming year to further improve its key performance metrics and reduce the reliance on Meta advertising. New influencer, affiliation, email and conversion campaigns and initiatives will continue to be explored to optimise return on advertising spend (ROAS); recruit new consumers to the brand; cross-promote sister brands and drive engagement.

As we put more effort and investments behind our **Invest** brands, we will explore the feasibility of creating stand-alone DTC sites for these brands, such as Super Facialist.

- **International**

Our international business benefitted in the year from gains in TK Maxx across Europe and TJ Maxx in North America; the roll out of Root Perfect as a permanent listing in 300+ Normal stores across Europe, as well as a 200-store trial for Kind Natured. Dirty Works bath & body launched in Peru, whilst Dirty Works Skincare launched in Chile. There were encouraging signs of success for The Solution in DM, the pan European drugstore, particularly across Eastern Europe and Argan+ launched in Qatar (Carrefour & Monoprix). Our brands and products are sold in 34 countries and our infrastructure and network should position us well to accelerate our growth post COVID and launch Skinny Tan into multiple North European countries.

3. Environmental & Societal Responsibility

- **Sustainability pledge – packaging and ingredients environmental footprint**

In line with our sustainability pledge, we continue to work towards ensuring that all our plastic and packaging is 100% recyclable, reusable or bio-sourced by 2025. Last year the number of products using a minimum of 30% PCR (post-consumer recycled material) increased to 76%. We have made good progress in moving our brands to PCR, with further information given in the separate sustainability section.

- **Employee development**

Morale & inclusivity: We host and encourage fortnightly “Townhall” meetings, which allows all employees (irrespective of location) to participate and benefit from transparent and regular updates, presentations and Q&A.

Diversity: We strive to have an inclusive culture where all genders have equal standing and people from all walks of life and ethnicities are welcome **-** 77% of employees are female; 72% are under 45 and 22% are from a minority ethnic background.

Work-life-balance: All employee contracts reflect a hybrid way of working, so that employees can tailor their office attendance to maximize productivity and communication. Sales and Marketing personnel are actively encouraged to regularly come to the office as we believe this promotes creativity, collaboration and development.

Personal Development: All employees benefit from bi-annual PDRs (Performance & Development

Review), PDPs (Personal Development Plan) as well as onsite and offsite training.

Challenger culture: It is our strategic intent to implement and embed a transformative culture and a way of working into the business, so that we can act and be seen as a true challenger brand business.

Outlook

We continue to face a very challenging operating and economic environment. We anticipate high inflation and continued supply chain pressures, as well as an adverse effect in consumer confidence and a softening in the online and offline marketplace. Given the squeeze on operating margin, it was vital that we adapted our growth strategies to focus on delivering profit. In the short term we will transition and focus our resources on developing brands and categories that can command higher retail prices, engender strong consumer loyalty and stronger margins by delivering highly efficacious problem-solving solutions, whilst also focusing on DTC promotional effectiveness and efficiency. We are taking a cautious view of the year, as we consolidate and fully integrate the Innovaderma Plc. brands into our portfolio. However, our mid-term objective is to return to profitability in 23/24 and we remain positive for our future development and in our ability to deliver for all shareholders.

Financial Review

Key performance indicators

To measure and monitor our progress against our growth strategy, we track our performance against a set of ambitious targets and milestones. The goals we set are closely assessed to ensure we focus our efforts to deliver both in the short term and long term. A summary of the financial measures used are:

	2022	2021
Reported results from continuing operations		
Revenue (Note 2 of the financial statements)	£14.3m	£15.9m
Underlying operating (loss)/profit[1]	£(1.8)m	£(0.3)m
Loss before taxation	£(4.1)m	£(1.9)m
Basic (loss)/earnings per share	(23.9)p	(13.1)p
Net cash	£11.3m	£19.0m

1 Underlying operating (loss)/profit is calculated before exceptional items, share-based payments and amortisation of acquisition-related intangibles.

A reconciliation of underlying operating profit to operating is shown below:

	2022 Total	2021 Total
Underlying (loss)/profit from operations	(1,811)	(273)
Exceptional cost of sales	-	488
Amortisation of acquisition-related intangibles	(240)	(240)
Charge for share-based payments	(39)	(38)
Other exceptional items	(1,850)	(1,600)
Operating (loss)/profit	(3,940)	(1,663)

The Group implements a number of non-statutory measures which are summarised in the tables above and in more detail within the segmental income statement (Note 2 of the financial statements). Exceptional items are also explained further in Note 3 of the financial statements. These measures are used to illustrate the impact of non-recurring and non-trading items on the Group's financial results.

In addition to the financial key performance measures, a range of operational non-financial key performance indicators are also monitored at a management level covering, amongst others, new product development and innovation. The Board receives an overview of these as part of its Board management report.

Statement of comprehensive income

Group statutory revenue for the year was £14.3 million (FY 2021: £15.9m), a decrease of 10% as the Group navigated the challenging external environment and the impact of reduced consumer confidence on demand. Excluding the contribution from Innovaderma, which was successfully acquired on 31 May 2022 and which delivered £0.8m of sales in June, organic sales decreased 15% on the prior year. The FY performance was particularly affected by H1 sales which declined by 19% on the prior year to £7.4m (H1 2021: £9.0m). This decline was as a result of two factors; firstly key retailers delaying the implementation of our brand relaunches, caused by the COVID pandemic and secondly planned rationalisation of our product ranges by 25% to optimise our productivity. With many of our brands needing to be relaunched and product ranges rationalised to reflect consumer demand and improve productivity, this delay meant that sales for the first three months were affected, as stocks of the previous ranges were run down. The impact of these delays was felt across both the high street and grocer retailers, which remain our dominant revenue generators. This impact could not be offset on a FY basis as H2 organic sales of £6.1m were affected by a reduction in consumer demand, down 12% vs the prior year (H2 2021: £6.9m).

The underlying gross profit margin, which excludes exceptional adjustments was significantly impacted and declined to 33.5% (2021: 36.9%). This reflects a wide range of cost pressures felt throughout our supply chain, that we could not pass onto retailers due to previously agreed pricing commitments. The main impact was the significant increase in shipping container costs for goods from overseas (principally Christmas Gift Sets and bath salts), which at the time of shipping were 500% higher than historical prices. Alongside this we have had to contend with other significant cost increases throughout the supply chain, notably in raw materials, componentry and energy.

Given the challenging trading environment, the Group generated an operating loss in the second half in line with that reported in the first half but was also impacted by lower revenue in the period.

The Group made a loss before tax of £4.1m which included other exceptional items of £1.8m from the partial impairment of the intangible values of male styling brand, Fish (£0.5m), the write down of development costs relating to The Unexpekted Store (£0.3m), impairment of equipment and other restructuring costs (£0.3m) as well as professional fees relating to the acquisition of Innovaderma plc (£0.7m). The intangibles were subject to impairment reviews, under IAS 36. The Fish impairment reflected the impact of a reduction in consumer usage and habits that have affected the Male Grooming category in the UK and margins deteriorating through product cost inflation.The Unexpekted Store impairment was a result of the acquisition of Innovaderma, as the Group now plans to focus its DTC activities on key brand Skinny Tan.

Financing costs were £0.2m (2021: £0.2m) relating to the defined benefit pension plan notional finance charge.

The effective tax rate for the period was negative 3% (2021: negative 17%) of pre-tax profits. The effective rate is below the statutory rate of 19% due to the losses in the period.

Financial position and cash flow

The Group retains a net cash position of £11.3m, a reduction of £7.7m versus the prior year (2021: £19.0m). The cash outflow was due to the £2.0m cash consideration paid to Innovaderma shareholders and the £0.7m settlement of related transactional costs. There was also a £2.3m net increase in working capital following a planned investment in key product line inventory holdings to offset the Supply Chain delays, uncertainty and cost inflation. The company also made a one-off contribution of £1.0m to its defined benefit pension scheme as outlined below, in addition to £0.3m annual payment commitment.

Acquisition of Innovaderma Plc

On 31 May 2022, the Group completed the acquisition of Innovaderma Plc. The purchase was effected by a Scheme of Arrangement, whereby Innovaderma shareholders received for each Innovaderma share 7 pence in cash and 0.3818 of new Brand Architekt Group plc shares. This consideration equated to £9.1m in total, of which £2m was paid in cash and £7.1m satisfied in shares, based on the Brand Architekts Group plc share price on completion. As the total purchase consideration exceeded the net £0.4m fair value of assets acquired, an exercise was undertaken to allocate the remaining purchase consideration into other intangibles and goodwill. As a result,

£3.9m has been recognised as trade name and customer relationships intangible assets with a useful economic life of 5 years, a related deferred tax provision of £1.0m, with the remaining £5.7m as Goodwill.

Defined benefit pension plan

The defined benefit pension plan underwent its last triennial valuation on 5 April 2020. The actuarial deficit, taking into account market conditions up to 31 March 2021, was £15.1m. The Group entered a revised deficit recovery plan and schedule of contributions in July 2021. Under this there was a commitment to make a one-off deficit reduction payment of £1m by 31 July 2021, £318k payment per annum for four years followed by £791k for a further thirteen years, and to pay certain administration costs and the PPF levy for the life of the plan. This commitment will be reassessed at the next triennial valuation at 5 April 2023.

The April 2020 timing of the last triennial valuation increased the pension deficit significantly, as the start of the pandemic depressed the valuation of scheme assets while lower discount rates linked to bond yields increased estimated scheme liabilities. Extensive reviews were held with the Trustee to balance the assurance needed by the pension scheme in light of the increased deficit, while aligning with Group's objective of investing cash reserves in the business to the long-term benefit of all stakeholders, including the pension scheme.

Accounting standards require the discount rate used for valuations under IAS 19 'Employee Benefits' to be based on yields on high quality (usually AA-rated) corporate bonds of appropriate currency, taking into account the term of the relevant pension plan's liabilities. Corporate bond indices are used as a proxy to determine the discount rate. At the reporting date, the yields on bonds of all types were higher than they were at 30 June 2021. This has resulted in higher discount rates being adopted for accounting purposes compared to last year. This has decreased the fair value of the plan liabilities as measured under IAS 19, which combined with an improvement in the fair value of the scheme's assets, has translated into a decreased liability under the IAS 19 methodology. For accounting purposes at 30 June 2022, the Group recognised under IAS 19, a net liability of £2.4m (2021: £10.4m).

Going concern

As part of its normal business practice, the Group prepares annual and longer-term plans and, in reviewing this information the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. The Group has significant cash reserves of £11.3m. Accordingly, we continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Group Statement of Comprehensive Income

For the year ended 30 June 2022 and the period ended 30 June 2021

	Notes	**2022** **£'000**	2021 £'000
Revenue	2	**14,296**	15,875
Cost of sales (including Exceptional credits)	3	**(9,506)**	(9,530)
Gross profit		**4,790**	6,345
Commercial and administrative costs		**(6,880)**	(6,408)
Operating loss before other exceptional items		**(2,090)**	(63)
Other exceptional items	3	**(1,850)**	(1,600)
Operating loss		**(3,940)**	(1,663)
Finance income		**20**	2
Finance expense		**(196)**	(224)
Loss before taxation	4	**(4,116)**	(1,885)
Taxation	5	**(130)**	(314)
Loss for the year		**(4,246)**	(2,199)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit liability		**5,143**	2,786
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**-**	-

Other comprehensive income for the year		**5,143**	2,786
Total comprehensive income for the year		**897**	587
(Loss) / profit attributable to:			
Equity shareholders		**(4,322)**	(2,253)
Non-controlling interests		**76**	54
Total comprehensive income attributable to:			
Equity shareholders		**821**	533
Non-controlling interests		**76**	54
Earnings per share	6		
- basic		(23.9)p	(13.1)p
- diluted		(23.9)p	(13.1)p
Dividends			
Paid in year (£'000)		**Nil**	Nil
Paid in year (pence per share)		**Nil**	Nil
Proposed (£'000)		**Nil**	Nil
Proposed (pence per share)		**Nil**	Nil

Group Statement of Financial Position

As at 30 June 2022

	Notes	**2022 £'000**	2021 £'000
ASSETS			
Non-current assets			
Property, plant and equipment including right of use assets		**53**	67
Intangible assets	7	**18,870**	10,118
Deferred tax assets		**730**	2,605
Total non-current assets		**19,653**	12,790
Current assets			
Inventories		**7,375**	2,299
Trade and other receivables		**5,099**	3,651
Cash and cash equivalents		**11,347**	19,018
Current tax receivable		**-**	432
Total current assets		**23,821**	25,400
Total assets		**43,474**	38,190
LIABILITIES			
Current liabilities			
Trade and other payables		**6,844**	2,602
Current Tax Payable		**9**	-
Total current liabilities		**6,853**	2,602
Non-current liabilities			
Post-retirement benefit obligations		**2,439**	10,418
Deferred tax liabilities		**2,428**	1,475
Total non-current liabilities		**4,867**	11,893
Total liabilities		**11,720**	14,495
Net assets		**31,754**	23,695

EQUITY

Share capital	**1,397**	862
Share premium	**11,987**	11,987
Merger reserve	**6,588**	-
Pension re-measurement reserve	**(2,659)**	(7,802)
Retained earnings	**14,213**	18,496
Equity attributable to holders of the parent	**31,526**	23,543
Non-controlling interest	**228**	152
Total equity	**31,754**	23,695

Group Statement of Changes in Equity

For the year ended 30 June 2022 and the period 30 June 2021

Group	**Share Capital** £'000	**Share Premium** £'000	**Merger Reserve** £'000	**Pension re-measurement reserve** £'000	**Retained Earnings** £'000	**Non-controlling interest** £'000	**Total Equity** £'000
Balance as at June 2021	**862**	**11,987**	**-**	**(7,802)**	**18,496**	**152**	**23,695**
Issue of new shares	535	-	6,588	-	-	-	7,123
Non-controlling interest	-	-	-	-	-	76	76
Share based payments	-	-	-	-	39	-	39
Transactions with owners	535	-	6,588	-	39	76	7,238
Loss for the year attributable to equity shareholders	-	-	-	-	(4,322)	-	(4,322)
Other comprehensive income:							
Re-measurement of defined benefit liability	-	-	-	5,143	-	-	5,143
Total comprehensive income for the year	-	-	-	5,143	(4,322)	-	821
Balance as at June 2022	**1,397**	**11,987**	**6,588**	**(2,659)**	**14,213**	**228**	**31,754**

Group	**Share Capital** £'000	**Share Premium** £'000	**Merger Reserve** £'000	**Pension re-measurement reserve** £'000	**Retained Earnings** £'000	**Non-controlling interest** £'000	**Total Equity** £'000
Balance as at June 2020	**862**	**11,987**	**-**	**(10,588)**	**20,711**	**98**	**23,070**
Non-controlling interest	-	-	-	-	-	54	54
Share based payments	-	-	-	-	38	-	38
Transactions with owners	-	-	-	-	38	54	92
Loss for the year attributable to equity shareholders	-	-	-	-	(2,253)	-	(2,253)
Other comprehensive income:							
Re-measurement of defined benefit liability	-	-	-	2,786	-	-	2,786
Total comprehensive income for the year	-	-	-	2,786	(2,253)	-	533
Balance as at June 2021	**862**	**11,987**	**-**	**(7,802)**	**18,496**	**152**	**23,695**

Cash Flow Statement

For the year ended 30 June 2022 and the period 30 June 2021

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Cash flow from operating activities				
(Loss) before taxation	**(4,116)**	(1,885)	**(2,581)**	(3,116)
Depreciation	**29**	7	**-**	-
Amortisation	**388**	1,880	**78**	1,678
Impairment of intangible assets and PPE	**936**	-	**500**	-
Finance income	**(20)**	(2)	**(10)**	(2)
Finance cost	**196**	224	**190**	221
(Increase)/ Decrease in inventories	**(3,084)**	1,425	**-**	-
Decrease /(Increase) in trade and other receivables	**101**	318	**(1,266)**	227
Increase / (Decrease) / in trade and other payables	**641**	(687)	**(559)**	(799)
Share based payment expense	**39**	38	**42**	36
Contributions to defined benefit plans	**(1,318)**	(318)	**(1,318)**	(318)
Cash (outflow) / generated from operations	**(6,208)**	1,000	**(4,924)**	(2,073)
Finance costs paid	**-**	(28)	**-**	(25)
Taxation received	**432**	381	**-**	373
Net cash (outflow) / inflow from operating activities	**(5,776)**	1,353	**(4,924)**	(1,725)
Cash flow from investing activities				
Purchase of property, plant and equipment	**(15)**	(66)	**-**	-
Purchase of intangible assets	**(237)**	(284)	**-**	-
Cash consideration paid for acquisitions	**(1,965)**	-	**(1,965)**	-
Cash acquired on acquisition	**1,510**	-	**-**	-
Net cash flow from investing activities	**(707)**	(350)	**(1,965)**	-
Cash flow from financing activities				
Repayment of / Movements in invoice discounting facility	**-**	(1,132)	**-**	-
Finance income received	**20**	2	**10**	2
Repayment of loans	**(1,208)**	(2,095)	**-**	(2,095)
Net cash flow from financing activities	**(1,188)**	(3,225)	**10**	(2,093)
Net decrease in cash and cash equivalents	**(7,671)**	(2,222)	**(6,879)**	(3,818)
Cash and cash equivalents at beginning of year	**19,018**	21,240	**16,681**	20,499
Cash and cash equivalents at end of year	**11,347**	19,018	**9,802**	16,681

Notes to the Accounts

Note 1 Significant accounting policies

The financial information does not constitute statutory accounts as defined in section 435 of the Companies Act 2006, but has been extracted from the statutory accounts for the period ended June 2022 on which an unqualified audit report has been issued and which will be delivered to the Registrar following their adoption at the Annual General Meeting. The statutory accounts for the period ended June 2021 have been delivered to the Registrar of Companies with an unqualified audit report and did not contain a statement under section 498 of the Companies Act 2006. Copies of the 2022 Annual Report and Accounts with the notice of Annual General Meeting will be sent to shareholders via their elected channel. Further copies may be obtained by contacting the Company Secretary at

Brand Architekts Group plc, 8 Waldegrave Rd, Teddington, TW11 8GT. An electronic copy will be available on the Group's web site (www.brandarchitektsplc.com)

General Information
Brand Architekts Group plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given at the end of the financial report. The nature of the Group's operations and its principal activities are set out in the Strategic Report. The Group moved to a traditional 12 month calendar year for the period ended 30 June 2021. The results for the current period have been drawn up for a traditional 12 month calendar year.

Basis of preparation
The Group has prepared its consolidated financial statements in accordance with UK adopted International Accounting Standards (UK adopted IAS) in conformity with the requirements of the Companies Act 2006. These financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain non-current assets and financial instruments.

The Directors have considered trading and cash flow forecasts prepared for the Group, and based on these, and the level of cash held, are satisfied that the Group will continue to be able to meet its liabilities as they fall due for at least one year from the date of signing of these accounts. On this basis, they consider it appropriate to adopt the going concern basis in the preparation of these accounts.

The consolidated financial statements are presented in sterling and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings. The results and net assets of undertakings acquired or disposed of during a financial year are included in the Group Statement of Comprehensive Income and Group Statement of Financial Position from the effective date of acquisition or to the effective date of disposal. Subsidiary undertakings have been consolidated using the purchase method of accounting. In accordance with the exemptions given by section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The Company's loss after tax for the year to June 2022 was £2.742m (2021: loss after tax £2.852m).

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 30 June 2022. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Note 2 Segmental Analysis
During the year and following the acquisition of Innovaderma Limited, there were three reportable segments of the Group (two in the comparative period), the reportable segments of the Group were aggregated as follows:

- Brand Architekts Brands – These include those brands organically developed plus the acquisitions of the portfolio of Brands included in The Brand Architekts acquisition (in 2016) and the Fish brand acquired during 2018.

- Innovaderma Brands – This segment includes those brands acquired as part of the Innovaderma business combination. The results of Innovaderma brands are currently reported separately from other brands to the directors.
- Eliminations and Central Costs. Other Group-wide activities and expenses, including defined benefit pension costs, share-based payment expenses / (credits), amortisation of acquisition-related intangibles, interest, taxation and eliminations of intersegment items, are presented within 'Eliminations and central costs'.

This is the basis on which the Group presents its operating results to the Directors, which is considered to be the Chief Operating Decision Maker (CODM) for the purposes of IFRS 8. Comparative full year numbers have been presented on the same basis.

IFRS15 requires the disaggregation of revenue into categories that depict how the nature, timing, amount and uncertainty of revenue and cash flows are affected by economic factors. The Directors have considered how the Group's revenue might be disaggregated in order to meet the requirements of IFRS15 and has concluded that the activity and geographical segmentation disclosures set out below represent the most appropriate categories of disaggregation.

a) Principal measures of profit and loss – Income Statement segmental information for year ended 30 June 2022 and period ended 30 June 2021:

Year ended 30 June 2022	**Total**	2021

	Brand Architekt Brands	**Innovaderma Brands**	**Eliminations and Central Costs**		Total
	£'000	£'000	£'000	**£'000**	£'000
UK revenue	10,910	741	-	**11,651**	13,447
International revenue	2,558	87	-	**2,645**	2,428
Revenue – External	13,468	828	-	**14,296**	15,875
Revenue – Internal	-	26	(26)	**-**	-
Total Revenue	**13,468**	**854**	**(26)**	**14,296**	15,875
Underlying loss from operations	**(667)**	**(87)**	**(1,057)**	**(1,811)**	(273)
Credit / (charge) for share-based payments	3	-	(42)	**(39)**	(38)
Amortisation of acquisition-related intangibles	-	-	(240)	**(240)**	(240)
Exceptional items included in cost of sales (Note 3)	-	-	-	**-**	488
Other Exceptional items (Note 3)	(281)	(341)	(1,228)	**(1,850)**	(1,600)
Net borrowing income / (expense)	4	-	(180)	**(176)**	(222)
Loss before taxation	**(941)**	**(428)**	**(2,747)**	**(4,116)**	(1,885)
Tax charge	-	-	(130)	**(130)**	(314)
Loss for the period	**(941)**	**(428)**	**(2,877)**	**(4,246)**	(2,199)

Year ended 30 June 2021	**Brand Architekt Brands**	**Innovaderma Brands**	**Eliminations and Central Costs**	**Total**
	£'000	£'000	£'000	**£'000**
UK revenue	13,447	-	-	**13,447**
International revenue	2,428	-	-	**2,428**
Revenue – External	15,875	-	-	**15,875**
Revenue – Internal	-	-	-	-
Total Revenue	**15,875**	**-**	**-**	**15,875**
Underlying profit / (loss) from operations*	**917**	**-**	**(1,190)**	**(273)**
Charge for share-based payments	(6)	-	(32)	**(38)**
Amortisation of acquisition-related intangibles	-	-	(240)	**(240)**
Exceptional items included in cost of sales (Note 3)	488	-	-	**488**
Other Exceptional items (Note 3)	-	-	(1,600)	**(1,600)**
Net borrowing costs	(4)	-	(218)	**(222)**
Profit / (loss) before taxation	**1,395**	**-**	**(3,280)**	**(1,885)**
Tax charge	(259)	-	(55)	**(314)**
Profit /(loss) for the period	**1,136**	**-**	**(3,355)**	**(2,199)**

The segmental Income Statement disclosures are measured in accordance with the Group's accounting policies as set out in note 1.

All defined benefit pension costs and an element of the share-based payment expenses are recognised for internal reporting to the CODM as part of Group-wide activities and are included within 'Eliminations and central costs' above. Other costs, such as Group insurance and auditors' remuneration which are incurred on a Group-wide basis are recharged by the head office to segments on a reasonable and consistent basis for all periods presented, and are included within segment results above.

b) Other Income Statement segmental information

Year ended 30 June 2022	**Brand Architekt Brands**	**Innovaderma Brands**	**Eliminations and Central Costs**	**Total**

	£'000	£'000	£'000	£'000
Depreciation / impairment of PPE	29	166	-	195
Amortisation / impairment of intangibles *	418	-	740	1,158

Period ended 30 June 2021	**Brand Architekt Brands**	**Innovaderma Brands**	**Eliminations and Central Costs**	**Total**
	£'000	£'000	£'000	£'000
Depreciation	7	-	-	7
Amortisation/ impairment*	280	-	1,600	1,880

* Impairment losses of £0.5m (2021: £1.6m) in Central Costs is included in Exceptional Items

c) Principal measures of assets and liabilities

The Groups assets and liabilities are managed centrally by the CODM and consequently there is no reconciliation between the Group's assets per the statement of financial position and the segment assets.

d) Additional entity-wide disclosures

The distribution of the Group's external revenue by destination is shown below:

Geographical segments	**Year ended 30 June 2022 £'000**	Period ended 30 June 2021 £'000
UK	11,651	13,447
Other European Union countries	982	970
Rest of the World	1,663	1,458
	14,296	15,875

In the year ended 30 June 2022, the Group had three customers from that exceeded 10% of total revenues, being 15.5%, 11.8% and 10.3% respectively. In the period ended 30 June 2021, the Group had 1 customer that exceeded 10% of total revenues, being 24%. All of these customers are reported within the Brand Architekts Brands segment.

Note 3 Exceptional Items

Exceptional charges / (credits) from Continuing Operations:	**Period ended** 30 June 2021 £'000	Period ended 30 June 2021 £'000
Included within Cost of sales:		
Inventory related	-	(488)
Other exceptional items:		
Impairment of intangible assets and property, plant and equipment	936	1,600
Acquisition costs	728	-
Restructuring costs	186	-
	1,850	1,600
Total exceptional items	1,850	1,112

Exceptional impairments of intangible assets and property, plant and equipment includes a £0.50m impairment of the Fish brand, £0.27m for The Unexpekted Store and £0.17m of equipment acquired with Innovaderma which has since been replaced.

The group incurred costs of £0.73m in relation to the acquisition of Innovaderma which have been expensed in the period.

Restructuring costs of £0.19m have been incurred following the acquisition of Innovderma.

The comparative period exceptional items includes a partial write back of prior year provision relating to inventory (£0.5m), where the corresponding cost in the comparative period was treated as exceptional. Other Exceptional items include £1.6m impairment of the Fish brand.

Note 4 Loss before taxation

	2022 £'000	2021 £'000
(a) This is stated after charging/ (crediting)		
Depreciation of property, plant and equipment of purchased assets	29	7
Amortisation of intangible assets	388	280
Impairment of intangible assets and property, plant and equipment (classified as exceptional – Note 3)	936	1,600
Foreign exchange (gains) / losses	(5)	21
Amounts expensed for short term and low value leases	56	59
(b) Auditors' remuneration		
Audit services:		
Audit of the Company financial statements	53	28
Audit of subsidiary undertakings	14	12
Audit related services:		
Interim review	3	2
Non audit services:		
Corporate finance – acquisition related services	45	-

Note 5 Taxation

(a) Analysis of tax charge in the year	**2022 £'000**	2021 £'000
UK corporation tax:		
- on profit for the year	-	-
- adjustment in respect of previous years	-	(1)
Total current tax credit	-	(1)
Deferred tax:	-	
-current year charge / (credit)	130	(36)
-effect of tax rate change on opening balance	-	351
Total deferred tax charge	130	315
Tax charge	130	314

(b) Factors affecting total tax charge for the year

The tax assessed on the profit before taxation for the year is at the standard rate of UK corporation tax of 19.00% (2020: 19.00%). The differences are reconciled below:

	2022 £'000	2021 £'000
Loss before taxation	(4,116)	(1,885)
Tax at the applicable rate of 19.00% (2020: 19.00%)	(782)	(358)
Effect of:		
Adjustment in respect of previous years	-	(1)
Expenses not deductible for tax purposes	138	6
Income not taxable for tax purposes		(3)
Deferred tax asset not recognised on taxable losses	774	319
Remeasurement of deferred tax for changes in tax rates		351
Actual tax charge	130	314

The group has tax losses of £8.2m (2021: £4.9m) which have not been recognised as there is no certainty that they can be utilised.

Note 6 Earnings per share

	2022	2021
Basic and Diluted		
Loss for the year attributable to equity holders (£'000)	(4,322)	(2,253)

Basic weighted average number of ordinary shares in issue during the year	18,111,180	17,230,702
Diluted number of shares	18,200,180	17,319,702
Basic loss per share	(23.9)p	(13.1)p
Diluted loss per share	(23.9)p	(13.1)p

Basic earnings per share has been calculated by dividing the profit for each financial year by the weighted average number of ordinary shares in issue at 30 June 2022 and 30 June 2021 respectively.

Note 7 Intangible assets

GROUP	**Software £'000**	**Brand Names £'000**	**Customer Relationships £'000**	**Goodwill £'000**	**Trade marks £'000**	**Total £'000**
Cost:						
At June 2020	101	8,715	2,126	2,618	-	13,560
Additions	284	-	-	-	-	284
At June 2021	385	8,715	2,126	2,618	-	13,844
Additions	218	-	-	-	19	237
Acquired through business combinations (note 9)	-	1,608	2,329	5,736	-	9,673
At June 2022	**603**	**10,323**	**4,455**	**8,354**	**19**	**23,754**
Amortisation:						
At June 2020	16	924	906	-	-	1,846
Provided during the year	40	-	240	-	-	280
Impairment charge during the year	-	1,600	-	-	-	1,600
At June 2021	56	2,524	1,146	-	-	3,726
Provided during the year	145	-	240	-	3	388
Impairment charge during the year	270	500	-	-	-	770
Disposals	-	-	-	-	-	-
At June 2022	471	3,024	1,386	-	3	4,884
Net book value:						
At June 2022	**132**	**7,299**	**3,069**	**8,354**	**16**	**18,870**
At June 2021	**329**	**6,191**	**980**	**2,618**	**-**	**10,118**

COMPANY	**Brand Names £'000**	**Customer Relationships £'000**	**Total £'000**
Cost:			
At June 2020	3,624	480	4,104
At June 2021	3,624	480	4,104
At June 2022	**3,624**	**480**	**4,104**
Amortisation:			
At June 2020	924	231	1,155
Provided during the year	-	78	78
Impairment charge during the year	1,600	-	1,600
At June 2021	2,524	309	2,833
Provided during the year	-	74	74
Impairment charge during the year	500	-	500
At June 2022	**3,024**	**383**	**3,407**
Net book value:			
At June 2022	**600**	**97**	**697**
At June 2021	**1,100**	**171**	**1,271**

Impairment testing
Two Brands (Brand Architekts and Fish) and associated goodwill have been tested for impairment as they have indefinite useful lives. Goodwill acquired as part of the Innovaderma acquisition has not been tested for impairment given the business combination completed a month before the year end. Brand Architekts gave a valuation in excess of its carrying values, however Fish was partially impaired by £0.5m given the decline in revenue for the brand, reflecting the pressures on the male grooming category in the UK and the high-street retail channel. No impairment review of the intangibles from the Innovaderma acquisition was performed, given it was acquired on 31 May 2022.

The recoverable amount of each brand was determined based on the higher of value-in-use calculations or fair value less costs to sell. The value-in-use calculations covered underlying 1-2 year forecasts, followed by an extrapolation of expected cash flows for the remaining useful life using growth assumptions of 1-2%. Fair value less costs to sell was determined by a review of historic acquisitions in the consumer goods market of similar size to identify multiples that have been paid.

The present value of the expected cash flows is determined by applying a suitable discount rate for current market assessments of the time value of money and risks specific to the brand. The discount rate applied is a pre-tax 8% in line with the prior year, reflecting expected returns for AIM listed businesses as well as the debt free capital structure of the Group.

Growth assumptions
Management have assumed a base case growth rate of 1-2%, in line with wider industry forecasts, in the calculations including into perpetuity. For Fish, the assumed growth rate was nil.

Discount rates
The discount rates reflect appropriate adjustments relating to market risk and specific risk factors.

Cash flow assumptions
Management's key assumptions include profit margins, based on past experience in this market. The Group's management believes that this is the best available input for forecasting this mature sector.

Apart from the considerations in determining the value-in-use of the brand described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates. The values of the intangibles with indefinite useful lives for Brand Architekts remains at £7,709,000 (comprising Goodwill of £2,618,000 and Brands of £5,091,000), while the Fish brand net carry value, after the partial, impairment is £600,000. Goodwill acquired held in relation to Innovaderma was £5,736,000 which is considered to have an indefinite useful life.

Sensitivity analysis
If the discount rate were to increase by 2% a further impairment of £140,000 would have been recognised in the year. If forecasts growth rates decreased by 2% a further impairment of £76,000 would have been recognised in the year.

Note 8 Notes to Cash Flow Statement

GROUP

	2022	2021
	£'000	£'000
Decrease in cash and cash equivalents	(9,181)	(2,222)
Net cash outflow from decrease in borrowings	1,208	3,227
Change in net cash	(7,973)	1,005
Opening net cash	19,018	18,013
Net cash acquired on business combinations	302	-
Closing net cash	11,347	19,018

(b) Analysis of net cash:	Closing 2021 £'000	Acquired in business combinations	Cash Flow £'000	**Closing 2022 £'000**
Cash at bank and in hand	19,018	1,510	(9,181)	11,347
Borrowings due within one year	-	(1,208)	1,208	-

19,018	302	(7,973)	11,347

(b) Analysis of net cash:

	Closing 2021 £'000	Cash Flow £'000	**Closing 2022 £'000**
Cash at bank and in hand	16,681	(6,879)	9,802
	16,681	(6,879)	9,802

Note 9 Acquisition of Innovaderma plc

On 31 May 2022, the Group acquired the entire issued share capital of Innovaderma Plc, including its subsidiary undertakings. The fair value of the consideration was £9.1m, satisfied by £2m in cash and £7.1m in Brand Architekts shares (being the fair value of the shares issued on the acquisition date). The fair value of the assets acquired was £0.4m resulting in goodwill and other intangible assets of £9.7m and deferred tax liability of £1m on the other intangible assets. Goodwill arises on consolidation and is not tax-deductible. Management carried out a review to assess whether any other intangible assets were acquired as part of the transaction. Management concluded that both a brand name (£1.6m) and customer relationships (£2.3m) were acquired and attributed a value to each of these by applying commonly accepted valuation methodologies. No contingent liabilities were recognised on acquisition.

	Book Value	Fair Value Adjustments	Fair Value
Net Assets acquired:			
Investments	225	(225)	-
Intangible assets and PPE	341	(175)	166
Trade and other receivables	1,868	-	1,868
Cash and cash equivalents	1,510	-	1,510
Inventory	1,786	(115)	1,671
Trade and other payables	(4,587)	(229)	(4,816)
	1,143	(744)	399
Customer relationships	-	2,329	2,329
Brand names	-	1,608	1,608
Deferred tax liability adjustment	-	(984)	(984)
	1,142	2,209	3,352
Goodwill			5,736
Total consideration			9,088
Satisfied by:			
Cash			1,965
Brand Architekts shares			7,123
Total consideration			9,088

Fair value adjustments

The net book value of assets acquired were reduced by £0.7m by fair adjustments made. As part of the acquisition, the directors considered the value of the investment in the associate undertaking of Ergon Medical Limited in line with the requirements of IAS36. As a result, this investment was written down to zero. The directors could not identify revenue streams being generated from certain intangible assets acquired, as a result they were fair value adjusted down by £0.2m. An additional inventory provision was identified on acquisition, decreasing the value of the inventory by £0.1m. Additional liabilities were also identified on acquisition in relation to tax compliance matters in foreign jurisdictions and other previously unrecognised payables to suppliers of £0.2m in total.

Impact of acquisition

For the month that Innovaderma were part of the group it generated revenue of £828,000, a loss from underlying operations of £87,000, and a loss after tax of £428,000.

Had the acquisition been effective from 1 July 2021 the group would have had increased revenue of £8,324,000, an increased loss from underlying operations of £754,000 and an increased loss after tax of £1,417,000.

Note 10 Contingent liabilities

The company is subject to a legal claim brought by its joint venture counterparty/co-shareholder, in Mr. Haircare Ltd, alleging breach of shareholders' agreement between the parties.

In the opinion of the directors, after taking appropriate legal advice, the outcome of these legal claims is not expected to give rise to any, or any significant, loss. The claim is likely to be determined in early 2024, if it does not conclude earlier.

The directors consider that disclosure of further details of these claims would seriously prejudice Group's position and accordingly further information on the nature of the claim has not been provided.