brandarchitekts

Annual Report 2023

Brand Architekts is a British beauty challenger brand business that is focused on:

- Insight-led, problem-solving profitable solution brands
- Omni-channel routes to market
- Ethical and efficient outsourcing
- Digital 1st Brand invigoration

"Problem-solving solutions for everyday beauty"

Overview

Financial Highlights

Revenue

£20.1m

+41% (2022: £14.3m)

Loss before taxation

£6.8m

(2022: £4.1m)

Underlying gross profit margin

39.7%

+620 bps (2022: 33.5%)

Net cash

£8.2m

(2022: £11.3m)

Underlying operating loss

£1.2m

(2022: £1.8m)

1 Underlying operating (loss)/profit is calculated before exceptional items, share-based payments and amortisation of acquisition-related intangibles (further information on page 20).

Financial Summary

- Group sales for FY23 were up 41% to £20.1m (2022: £14.3m) due primarily to the full year effect of the acquisition of InnovaDerma Plc, which completed at the end of May 2022. Excluding InnovaDerma (IDP), revenue increased by 7% due to strong international sales offset by challenging trading conditions in UK channels.
- Underlying gross profit margins increased by 6.2% to 39.7% (2022: 33.5%) driven by a full year of sales from the IDP portfolio, chiefly Skinny Tan. Margins in the Brand Architekts business were similar year on year.
- Despite the challenging trading environment, the Group generated a reduced underlying operating loss of £1.2m, £0.6m lower than the prior year (2022: £1.8m), primarily as a result of better targeted advertising & promotions.
- The increased loss before taxation of £6.8m (2022: £4.1m) is driven by a £3.5m impairment in the goodwill associated with the InnovaDerma business due to a combination of Skinny Tan sales being lower than expected and the business seeing an impact from wider economic factors of increased inflation and interest rates impacting on the cost base, reducing profits.
- The Group retains a strong net cash position of £8.2m at the year-end (30 June 2022: £11.3m).

Contents

Business Overview

Brand Architekts: Who we are

Brand Architekts Group plc offers a portfolio of challenger brands, sold throughout the UK and in the international beauty space.

Invest

Skinny Tan

Skinny Tan is so much more than a natural-looking tan. It delivers high performance skincare and an elevated tanning experience in one formula! Created by real women for real women, Skinny Tan has overcome the barriers of traditional tanners to deliver outstanding results. As seen on Dragon's Den, with thousands of five-star reviews and a loyal global community of millions, it's become the tan loved for the flawless, streak-free, natural looking results. The brand has accumulated awards over the years, the latest accolade is from Cosmopolitan naming our Self-Tanning Whip 'Best Fake Tan 2023'.

Skinny Tan is a true omnichannel brand, with a broad offline UK presence across both the High Street and Grocery channels, as well as a strong D2C platform and eCom distribution. It has a steadily growing international footprint in the USA, South Africa and Europe.

Super Facialist

Created in 2012 by a team of passionate skincare experts who saw a need for professional, facialist quality products that can be used at home. Living its mission to educate on how to look after your skin, whatever your skin type. The range is curated to equip everyone to become their own Super Facialist at home. Every day.

With solutions for the whole family, our tried, tested and loved formulations combine high-performance scientific ingredients, natural extracts and exquisite aromas. Experience premium formulations without the premium price tag for that facialist feeling. Super Facialist has a broad distribution footprint in the UK across the High Street, Grocery, and eCom channels, as well as its new D2C site. Although primarily a UK brand, it is sold in a growing number of international markets.

Nurture

The Solution

Science meets skincare enthusiasts! Bringing effective solutions to common body concerns. With scientifically proven active ingredients that get right to the solution and help to bring back your body confidence.

Gaining recognition as a range that really delivers, The Solution is expanding into additional problem areas. The first initiative is dealing with challenges that have traditionally been taboo. Supporting women with what can be hugely challenging symptoms of the menopause, the brand is combining efficacious ingredients with comforting and supporting fragrances and textures to create products that make a difference.

The Solution is steadily growing its distribution in the UK, Ireland and other European markets.

Our company mission is to provide problem-solving solutions for everyday beauty. Brand Architekts has separated its brand portfolio into three categories: Invest, Nurture and Harvest.

Each category has a specific investment and resource profile, in line with the business objective of driving higher profitability. We will be focusing on brands and products that engender high levels of consumer loyalty and reflect the redefined company purpose of focusing on high-performance problem-solving solution-led brands.

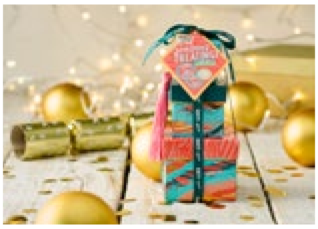
Our brands are available on the high street in leading pharmacy and drugstore chains; in national grocery stores; on the platforms of global e-tailers; and through our own e-commerce websites.

Our key brands are detailed below:

MR

MR was originally created as the ultimate men's haircare system designed to help combat the challenges of thinning hair and provide everyday grooming staples to keep hair strong and healthy. Given the success of the haircare range, MR will now expand into adjacent male grooming problem-solving categories and be rebranded as MR Expert Solutions.

MR is currently sold in Boots and on Amazon in the UK, but with the potential to expand internationally.



Dirty Works

Not taking itself too seriously has turned Dirty Works into a serious business. This fragrance-fest of bathroom escapism includes scrubs ('Foam at Last'), fizz bars ('Cube Tropicana'), bath bombs ('And on That Bombshell') the brand covers all kinds of washing and bathing, skincare, accessories and gifting and is sold in 40 countries.

Harvest

Fish Soho

Fish Soho is a professional-grade, high-performance hair care and styling range straight out of Soho, London. Right at the heart of the British style revolution, Fish Soho gives you the freedom to discover your own distinctive/authentic hair style with confidence. It is Boots' number 3 men's styling brand, but is also available in Waitrose, Amazon and other e-tailers.

Charles + Lee

Charles + Lee aims to keep the rugged a little more refined. It is a high-performance, no-nonsense quality Aussie-made prestige grooming range that is low fuss, multi-functional, served with a side of Aussie humour. Available throughout Australia, it is consistently ranked within the top 4 Men's skincare and gifting brands in Australia's leading department stores – Myers and David Jones.

Chairman's Statement

"The Group continues to make progress on transitioning the business to focus on fewer, bigger brands that are highly efficacious, margin accretive and provide consumers with problem-solving solutions."

Roger McDowell

Non-Executive Chairman
30 October 2023

Whilst we are disappointed with our overall financial performance, we have made good progress in the year under review and on successfully integrating InnovaDerma into the Group and consolidating the business. We have delivered £1.4m of ongoing Opex savings, which are in line with our annualised synergy target of £1.5m and have advanced the opportunities to generate revenue synergies. We expect to be in a position to announce global omnichannel distribution gains for Skinny Tan in time for the 2024 tanning season.

Group sales for FY23 were £20.1m (FY22: £14.2m) an increase of 41% on the prior year due primarily to the full year effect of the acquisition of InnovaDerma Plc, which completed at the end of May 2022. Excluding InnovaDerma, revenue increased by 7% due to strong international sales, which was offset by challenging trading conditions in UK channels. We discontinued several non-strategic brands, namely Roots, Kind Natured, Happy Naturals and Beautopia as we continued our focus on profitability.

Skinny Tan's sales in the UK were adversely affected by the softening of the direct-to-consumer (DTC) market and our decision to focus on margin, at the expense of gross sales. We have maintained Skinny Tan's UK Customer (CRM) database (350,000 email addresses), but by dialling down our investment on Meta and reducing promotional discounting, we saw a drop in net sales, but an improvement in gross margin and contribution percentage.

The Group expects these initiatives to continue when we approach the 2024 tanning season, in particular the need to promote & support more affordable self-tan products.

The Group retained a healthy net cash position of £8.2m at the year-end which was £0.1m better than the position at the half year.

Despite the challenging trading environment, the Group generated a reduced underlying operating loss of £0.4m in H2, a £0.4m improvement on the performance in H1, due to a focus on better targeted advertising & promotions resulting in improved contribution. Full year underlying operating losses were £1.2m, a £0.6m improvement on last year. Our focus for the current year is to achieve break-even and thereafter return to profitable growth.

The Group continues to make progress on transitioning the business to focus on fewer, bigger brands that are highly efficacious, margin accretive and provide consumers with problem-solving solutions. Historically, Brand Architekts brands were retail exclusives, with little or no marketing investment, so in order to compete in today's landscape, it is vital that we transform the brands by investing in profitable brand awareness digital campaigns and customer acquisition initiatives.

I was pleased that we were able to resolve our legal dispute with Jamie Stevens Media Limited (JSML), our joint venture counterparty/co-shareholder in Mr Haircare Ltd, which alleged a breach of shareholders' agreement between the parties dating back to the Company's acquisition of Fish in 2018. We agreed a full and final settlement of all claims in the sum of £200,000 together with legal costs of £225,000. We also agreed to purchase JSML's 49% shareholding in Mr Haircare Ltd in cash at a fair value price to be determined by an external valuer later in the year. JSML is entitled to 55% of the sale valuation. MR sales for FY23 were £0.54m (FY22 £0.5m). The transaction is expected to conclude before the end of the 2023 calendar year and a further announcement will be made in due course.

The proposed acquisition of the remaining JV shares is in line with the Company's strategic vision to invest and build its portfolio of high-performance, problem-solving and margin-accretive brands. The brand will be relaunched as MR Expert Solutions and the Company's vision is to expand the brand into adjacent male grooming problem-solving categories and invest in the master brand to accelerate brand awareness and stimulate consumer trial.

Although the trading environment remains extremely challenging, good progress has been made during the period and post period-end, which gives a degree of confidence for the future. Key highlights include:

– continued implementation of the strategy to invest and support our Invest & Nurture brands, which command higher retail prices, engender strong consumer loyalty and deliver stronger margins;
– branded Super Facialist in-store merchandising trays rolled out to Boots and Morrisons. New Super Facialist Clear Skin, targeting problematic teenage skin care needs, launched on Amazon in September and in Boots in June 23. New Super Facialist D2C site launched in March 23;
– new Skinny Tan Wonder Serum brand awareness and customer acquisition campaigns launched in July 2023 to capitalise on the second half of the tanning season;
– The Solution Menopause range to launch in 2024;
– 49% growth vs the prior year in international channel sales driven by post COVID-19 rebound in volumes from General Merchandise stores across North America and Europe, benefitting Dirty Works;
– confirmed distribution roll-out to AS Watson stores in 2023 & 2024 across the Middle East and Asia (Thailand – 200 stores, Vietnam – 7, The Gulf – 16, Philippines – 100, Malaysia – 66, Taiwan – 200, Singapore – 40, Turkey –100); and
– good sales growth from key historical Brand Architekts' Nurture and Harvest brands including Fish, MR, The Solution, Argan, SenSpa and Root Perfect.

In line with our focus on contribution, as previously announced we streamlined the Board composition, reducing the number of Non-Executive Directors by one. Geoff Ellis joined as part-time CFO in June 2023. I would like to recognise and thank the Board for its support when I took a four-month sabbatical over the summer.

Notwithstanding difficult market conditions, including inflationary pressures, we are committed to returning the business to profitability and cash generation at the earliest opportunity.

On behalf of the Board, I would like to thank our employees for their hard work and commitment and shareholders for their continued support.

CEO's Statement

"The team worked very hard to integrate the InnovaDerma team and brands into the business. This is now complete, and we have delivered £1.4m operating synergies, against the £1.5m target."

In response to the well documented changes in consumer behaviour and the wider global and domestic macro-economic factors, we pivoted our business strategy to focus on brands and products that engender high levels of consumer loyalty and reflect the redefined Company purpose of focusing on high-performance problem-solving solution-led brands. This resulted in a reclassification of our brand portfolio and a strategic focus on brand contribution, rather than aggressive sales growth.

Rampant inflation and high interest rates exacerbated the cost-of-living crisis and in particular consumers' disposable income. This affected their appetite for masstige products and highlighted the importance of focusing on brand contribution and the need to build awareness and acquire new customers. Cash strapped consumers' initial response is to trade down, as demonstrated in the Self Tan category, where consumers have favoured gradual tanners retailing at less than £10, which resulted in our decision to reduce Skinny Tan Mousse and Whip retail prices. However, if brands are to succeed in a period of recession, it is important to invest in brand awareness and new product development, which are key tenets of our brand development strategy.

Quentin Higham

Chief Executive Officer
30 October 2023

The team worked very hard to integrate the InnovaDerma team and brands into the business. This is now complete, and we have delivered £1.4m operating synergies, against the £1.5m target set out at the time of acquisition. On acquisition, the team expanded to nearly 80 people which we have consolidated down to 51. To reflect the mix of business, we moved all Australian roles to the UK. There are now 42 people in the UK and nine people who provide customer service and financial and operations support in the Philippines. To further simplify the business, we will look to close all USA & Australia entities within the next few years.

The business is now focused on a three-year transition strategy whereby our brand portfolio will ultimately be reduced to nine (from 15) and we will evolve our brands and products to focus on margin-accretive high-performance topically applied products. It is our belief that if we successfully meet the needs of our consumers problems, this will engender loyalty and reduce the need for brand building advertising & promotion (A&P). Our mission is to become a challenger beauty business that provides "problem-solving solutions for everyday beauty".

Portfolio & Brand Development strategy -

Invest brands (Skinny Tan and Super Facialist):
Both have a degree of scale and are masstige positioned brands, which address key problem-solving needs. They have a clear point of difference and recognisable brand personalities. They benefit from extensive annual NPD pipelines and ideally incorporate either proprietary technology or trademarked ingredients, which leads to consumers paying a premium.

They will benefit from 360-degree marketing activation plans, which will result in "fewer-bigger-better" holistic omnichannel communications; an investment in the creation of best-in-class assets, which will then be used across their organic social, paid social, PR and retail channels. Both brands will be supported with new customer acquisition initiatives (Meta; Tik Tok; Google; Affiliation etc) and we will invest in consumer mechanics such as user-generated content; VIP product testing & feedback loops that will enable us to get closer to the consumer, which in turn will provide strong reasons for consumers to follow the brand and to join the email database.

We will continue to drive and support an omnichannel distribution approach and will apply a digital-first lens to product launches and marketing activity.

Nurture brands (The Solution, MR Expert Solutions and Dirty Works):
The fundamental difference between our Invest and Nurture brands is the level of A&P we allocate to each category. The Solution and MR Expert Solutions are both currently sub scale but have significant growth potential by creating problem-solving master brand propositions. Both brands are masstige and margin accretive. Their brand names have a clear point of difference and a distinct personality that lends itself to address beauty/personal care pain points across multiple categories. Initially we launched The Solution as "skinification" for the body, and we will be launching a Menopause range in 2024, which meets the specific needs of consumers going through the menopause and beyond. Once we have fully acquired the MR brand, we believe that its high-performance efficacious proposition will lend itself to enter into other male problem categories, such as problem skincare and perspiration. Once the master brands have been created by investment in a strong NPD pipeline, both brands will be supported with their own DTC site and 360 marketing activation campaigns.

CEO's Statement continued

Dirty Works has the greatest international reach of all our brands with sales in over 40 countries. The brand is being exclusively rolled out to over 700 Watsons stores across the Middle East and Asia in FY24. We are also developing over 12 exclusive skincare lines for our North American retail partner. Dirty Works is a master brand, given that it participates in the Washing & Bathing, Skincare, Accessories and Gifting categories. Given its affordable, fun, fragrant & indulgent proposition, brand investment will be focused on supporting key retail partners around the World. We will not launch a Dirty Works DTC but will support its rollout offline and online.

Harvest Brands:
Although our objective is to focus and invest in fewer brands, we have a small portfolio of Harvest brands that play several key roles – they meet the needs of a specific category (Men's Styling); provide retail or channel exclusivity (Root Perfect); strengthen Brand Architekts trading relationship with key offline partners (Argan+ and Dr Salts) and absorb a disproportionate share of corporate overheads, given we support these brands with trade marketing spend only. For our remaining Harvest brands, we will look to discontinue over the next couple of years either as a divestment (Charles + Lee), a termination of license agreements or discontinuation, so that we can provide more focus and resource on investing in our key focus brands.

Brand Reach:

Offline & Online:
The number one objective of our brand reach strategy is to secure new distribution across our Invest and Nurture brands, both domestically and internationally. We will be aggressively pushing Dirty Works (Middle East, Asia and USA); Skinny Tan (USA, Middle East, Europe); The Solution (Europe) into new international retailers and territories. Domestically we will look to land all new product development in FY24 and to consolidate and drive productivity on Skinny Tan and Super Facialist within existing distribution.

We will be looking to capitalise on the recent success of Super Facialist Clear Skin; the relaunch of MR Expert Solutions; the launch of The Solution Menopause and the relaunch of Fish and Dirty Works in 2024.

DTC:
Despite the global softening of the DTC channel, we believe that DTC sites play an integral role in our omnichannel distribution strategy. Brand Architekts believes in a digital first approach, initially to launch new products but also to generate traffic and consumer interest, prior to roll-out online and offline. DTC helps with digital engagement and brand education. To drive customer acquisition, we will be increasing pay-per-click advertising and Meta spend behind our social footprint and database activity, given the upcoming reduction of third-party cookies. Our focus last year was on improving the profitability of the Skinny Tan site, potentially to the detriment of gross sales. By applying an ongoing test and learn approach, we will be focusing more on delivering actual cash contribution, rather than % contribution.

By the end of 2024 all Invest and Nurture brands will have their own DTC offering (excluding Dirty Works), we will have exited The Unexpekted Store and Skinny Tan Australia. Our strategic focus and investment will be behind four DTC sites, whereby we can generate an appropriate AOV (average order value) and margin.

Environmental & sustainability
We continue to review and improve our beauty sustainability and are making good progress against our 2025 sustainability pledge. 78% of brands use either reusable or bio sourced plastic and packaging. Our target is 100% for 2025. Please see separate sustainability section of the annual report.

Outlook:

Against a backdrop of continued challenging market conditions and inflationary pressures the management team is focused upon realising both the strategic and financial aims of the Group. The immediate priorities are driving brand awareness of key Invest and Nurture brands, delivering revenue synergies through international expansion, a laser focus on brand contribution and releasing working capital tied up in harvest brands. We remain confident that the foundations we are building will enable us to return to profitability and achieve our medium and long-term goals.

Invest Case Study

Super Facialist

Brand proposition

Super Facialist is the award winning, British skincare brand with your skin health at its heart. Skin health is important to us and our consumers. It's a reflection of how we look after ourselves and links directly to our self-confidence. We literally want to be able to put our best face forward.

We exist to empower through education. Our mission is to equip everyone to become their own super Facialist, boosting confidence to understand and listen to their skin.

Our tried, tested and loved formulations combine high-performance scientific ingredients, natural extracts and exquisite aromas. Experience premium formulations without the premium price tag for that facialist feeling.

Brand reach

Available in Boots; leading Grocers (Tesco, Sainsbury's, Waitrose, Morrisons); e-tailers (Amazon, Look Fantastic) and via Superfacialist.co.uk

As well as enjoying broad distribution throughout the UK the brand is seeing success on Amazon, where we have amassed nearly 7,000 reviews. Word of mouth is still the number one attribute to persuading someone to buy the brand. Platforms such as Amazon having so many positive reviews is a key enabler allowing consumers to research the brand, find products that are right for them and be convinced by the positive experience of others. Building on this base is a key strategic tenet.

Cleansing is key

The brand was launched around our best-selling, award-winning cleanser – Vitamin C+ Brighten Skin Renew Cleansing Oil. Now so beloved, one is sold every five minutes! Developed with a unique transformative texture, inspired by the double cleansing ritual used in facials. This cleanser is the perfect product to double cleanse your skin with. It is the first, and many would argue the most important, step in your skin care regime.

Cleansing is crucial for promoting skin health and taking time at the beginning and end of your day is a key step in investing in your skin health.

The right NPD

It's never been more important that the launch of new products are the right products. We have been especially pleased with the launch of Super Facialist's Clear Skin range initially on Amazon and then in Boots. With genderless, Gen Z appeal, this capsule collection of five SKUs targets a younger audience experiencing hormonal skin challenges. For people starting their skin care journey this is a great step into a brand where we can prove performance and build loyalty. Through Clear Skin we've also been able to increase brand awareness with a wider audience and generate organic and curated content for new social media platforms such as TikTok.

Charlotte, our own Super Facialist

Education is a core value of Super Facialist and helping to bring this to life is our resident Skincare Expert Charlotte Connoley. With over a decade of experience as a Facialist, Charlotte is able to help demystify skincare. She's here to empower our consumer with the insider tips and tricks that Facialists use to level up their skincare.

Charlotte says "I am extremely excited to be working with Super Facialist! They are a great affordable and accessible brand with products to suit every different skin type and condition. I love the fact that each product within the range can be mixed and matched to create a personal and bespoke skincare routine for your skin, turning yourself into your very own Super Facialist at home!"

Investment Case

Branded business

Brand Architekts' focus is to build a portfolio of high-performance, solution-led profitable brands with low capital investment requirements and the potential for superior financial returns.

Distinctive brand portfolio

The business has adapted its brand portfolio to focus resources and investment behind its efficacy-based problem-solving solution brands. These brands engender greater consumer loyalty and higher margins. Brand Architekts' portfolio provides branded solutions for skincare, self-tan and male grooming needs.

Established relationships with retailers both domestically and internationally

Understanding the needs of retailers and consumers alike, and answering them with distinctive and compelling products, has been the foundation of Brand Architekts' success to date. It also reflects the strength of relationships that the business has long enjoyed with its key customers. We will now look to build on that trust and credibility by better understanding our end consumers and their individual needs. By applying more science and analysis of data we can improve and create more powerful, sustainable brands of real substance.

Opportunities for further growth online and internationally

The increasing shift online has highlighted the importance of having a strong direct-to-consumer (DTC) reach. All key Invest and Nurture brands (except Dirty Works) will have their own DTC platforms by the end of FY24. Investment in specific DTC sites will strengthen our consumer reach and brand engagement. In parallel, we will focus on maximising our brands' omnichannel potential in new international markets and building relationships with appropriate distribution and retail partners.

Substantial net cash position

The Group had a strong net cash position of £8.2m at the year end.

Potential for M&A

Whilst in the short term our strategic focus is a return to profitability, the Group remains alert to acquisition opportunities that will be margin accretive (60%+), provide scale and further strengthen its areas of core competence – category, channel and consumer – as well as more nascent areas for the Group such as DTC and international reach. The business will factor in current and future consumer behaviour and consumption. We will identify brands with strong product points of difference or unique selling points, ideally with some proprietary technology and preferably £3m+ net sales, which we can acquire through existing cash resources.

Business Model

Driven by profitable growth

Resources that define us

Brand portfolio

Margin-accretive problem-solving solution brands

Strong revenue-generating portfolio, with a focus on profitability

Multiple opportunities to enhance earnings

See pages 2 to 3

Team attributes

Insight Brand development

Agility and speed to respond to market dynamics

Entrepreneurial culture and values

See pages 10 to 11

Key industry relationships

Manufacturers

Retailers

Distributors

Media

See pages 12 to 13

Finances

Low operational gearing/capital light/ focus on margin/scalable

Strong cash balance

See pages 25 to 26

How we create value – the brand life cycle

01 We will combine our wealth of experience in the beauty sector with a significant investment in business intelligence insights and market data.

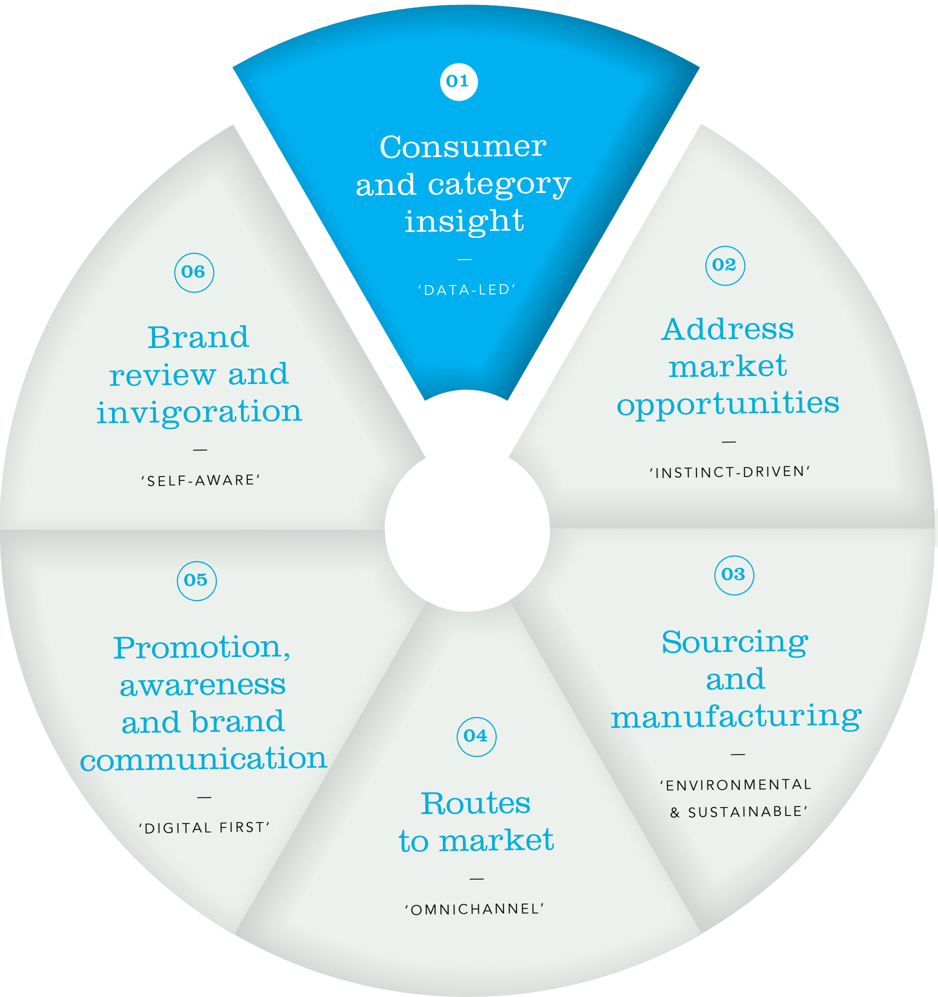
02 Opportunities come in many forms, including market gaps addressable by new product development, and M&A to open new avenues. We are alert to both and have the resources to act.

03 From sourcing sustainable ingredients to reducing single-use plastics wherever we can, our default position is to apply high ethical standards, working with partners who share our values.

04 We are driven by how and where our consumers wish to buy. Our omnichannel strategy includes a major focus on growing our DTC channel, expanding our e-tailer presence and developing exclusives and value lines for high street distribution.

05 Social media is a tailor-made medium for us and we harness its power for awareness-raising via our own feeds, and through attracting social influencers and awards. We will also explore all other digital and above-the-line media to optimise the marketing mix.

06 Our focus on "fewer, bigger, better" means training our resources and energies on a tightly drawn, high-performing portfolio. This enhances efficiency and responds to the needs of our retailer partners.



Stakeholders

Customers and consumers

Employees

Suppliers

Shareholders

Local communities

Market Context

Trends and Opportunities

Consumers are taking action in terms of their health and mental wellness. They are aspiring to longevity and their beauty care is part of their health ecosystem. Using beauty products helps make people feel good and on the back of economic uncertainties, consumers are keen to experience life to the full – touching, feeling, and smelling. Highlighted below are the most relevant beauty trends that are influencing our strategic thinking for the years ahead.

Mood hacking beauty – The connection between wellness and aroma has always existed, but this well-being trend will be driving brands to place mood-boosting scents into the core of their skincare and haircare formulation development plans. This will create a more personal and experiential step around emotions and happiness. The Solution will unveil innovation in this field in 2024, with a new signature fragrance to help promote equilibrium and positivity as part of a new category stretch.

Proactive beauty – Consumers have always been looking for ways to protect their skin against ageing and external aggressors, such as pollution, but the focus is shifting towards more proactive facial products, powered by senescence busters and microbiome to help strengthen the skin's natural barriers. Super Facialist will be launching a pioneering formulation to rethink the way night care is approached.

Positive ageing and/or the celebration of growing older – Considered a taboo subject, menopause is now at the forefront of many conversations and launches in this field will accelerate, pushing retailers to rethink their ways of merchandising to create clear in-stores destinations. The Solution Menopause is a new range designed to serve the 50+ million women who are approaching or are in menopause, with a collection of high performance, targeted solutions using proprietary complexes, proven to address the most common menopausal skincare touchpoints.

Vegan beauty – In an age of ethical consumerism, Vegan Beauty is the fastest-growing claim and the most active one in Europe. Brand Architekts will continue to emphasize the vegan credentials of its brands and highlight the claim more evidently on front of pack. Our Fish styling men's brand will be rolling out a new contemporary design in 2024 which will feature the claim prominently on front of pack.

Inside beauty – The blurring of beauty with health and wellness is driving inside-out beauty trends and an uptick in vitamin, mineral and supplement launches with beauty/skincare benefits. Taking an inside-out approach to skincare will add value to topical skincare and haircare products and routines, whilst offering brands opportunities for investments or customer acquisitions.

Experiential beauty – The pleasure to experience new things will drive multi-sensory innovation via disruptive pack colours, product shapes and transformative playful textures. Textures will expand beyond established creams and gels to promote a more sensorial experience and surprise the senses. Transformational formats such as whip mousses, airy souffles, gel-to-milk/oil and colourful layered scrubs will be introduced under Dirty Works to meet consumers' need for playfulness, joy and escapism. Skinny Tan will also launch new efficacious skincare-led, sensorial formulations that deliver natural, effortless results with the added value of gorgeous aromas.

Elevated waterless and concentrated formulations – With consumers becoming more aware of water scarcity, there will be a growth in waterless products delivering both eco-friendly and skin benefits. Consumers will be more eco-responsible and ready to adopt new routines and formats.

However, efficacy and convenience will remain key in a scenario in which sustainability and health merge. Exciting eco-friendly solids with performance in mind are in development for our Skinny Tan and Fish brands.

Ocean beauty – On the back of movements for eco-ethical and 'blue' beauty, demand for Marine beauty is on the increase; this is predicted to intensify in 2024 and beyond. Super Facialist will relaunch their Firming Collection with a cutting-edge matrix of advanced ingredients featuring a proprietary complex of algaes, plant collagen and peptide technology.

Biotech and upcycled beauty – Beauty will face different challenges, one being the sourcing of natural ingredients as raw materials and energy costs are dearer than ever. Engineered ingredients such as lab-grown, fermented and upcycled ones, will play a key role in enhancing the effectiveness and the sustainability of beauty products and mitigating supply pressures. Fermentation will be repositioned as cutting-edge tech for engineered ingredients and mushroom-based formulations will continue to flourish. The Solution, MR and Super Facialist will all launch products high-performing science-backed formulations ensuring outstanding results and consumer satisfaction.

Sustainability

Accelerating our sustainability pledge

78%

of our plastic packaging now contains PCR – including 91% of our Christmas gift offering.

100%

of Skinny Tan aerosols are now using PCR and 100% recyclable shrink wrap versus 0% last year.

100%

of Super Facialist Men tubes are now fully PCR and feature in-mould labelling technology.

Throughout the last 12 months, we have continued to focus on reducing, replacing and educating our consumers on how best to recycle and minimise waste.

We are committed to supporting a more circular economy and have been working very hard with our key suppliers to drive this agenda right across our supply chain.

Constantly looking for better ways to adopt a more sustainable business model, we have focused our attention primarily on new product development and product re-engineering across our key brands.

% PCR penetration

We have continued to roll out the use of post-consumer recycled material in all our plastic packaging in order to meet or exceed the minimum 30% inclusion threshold set under the Plastic Packaging Tax which came into force in the UK in 2022.

	FY22	FY23
Skinny Tan	63%	**63%**
Super Facialist	60%	**88%**
Dirty Works	43%	**45%**
Fish	100%	**100%**
MR	9%	**100%**

Our actions:

→ **Ethical sourcing**
our strategy continues to operate in an ethical way and seek collaboration with like-minded partners who are committed to make a positive impact on communities, people, and our planet. We work diligently to source our ingredients responsibly and with attention to potential impacts on the environment.

→ **Plastic reduction**
we continuously challenge ourselves to re-think our packaging formats and materials, working closely with third parties to reduce packaging waste and bring innovation. With Skinny Tan, we have reconfigured our shipping packs and moved away from using inner cartons within outer cases, resulting in less use of corrugated board material. With the launch of our Fish Sea Salt Spray, we are introducing Prevented Ocean Plastic (POP™) as a material and will be rolling it out with other launches next year.

→ **Transparency**
we strive to encourage and inspire people to make the right choices for themselves and the planet and believe this starts with transparency of information. Therefore, our products have been updated with more detailed information and encouragement to recycling.

→ **Collaboration**
we pride ourselves in collaborating with a wide and diverse network of suppliers and always looking to improve and strengthen our sourcing practices.

Principal Risks and Uncertainties

Managing Risk

The Board recognises the need for a robust system of internal controls and risk management.

The Group operates in an environment that is constantly changing and as a result the risks it is facing change over time. The Group's management have developed processes to assess risks and continue to improve strategies for dealing with these risks on an ongoing basis. A formal review of these risks is carried out by the Group once a year.

The review process involves the classification of risks, assessment of the likelihood and potential severity of impact to the business and determination of whether changes to management processes are needed to manage them effectively.

The directors have identified the following as principal risks and uncertainties:

Risk	Potential impact	Change in FY23	Key mitigating activities
Talent retention	Loss of key personnel, employee churn and failure to attract high quality people could impact the Group's ability to achieve its ambitions.	^	The Remuneration Committee reviews key personnel rewards annually to ensure they are competitive, commensurate with performance and reflect the increased cost of living due to inflation. The Group operates Personal Development Plans and Performance Development Reviews. Training programmes were introduced to ensure both business and personal needs are met. The business also operates a hybrid way of working and office culture, to support employees with greater flexibility. Further information on this can be found in the Employee section in Our Stakeholder Engagement and S172 statement on page 22.
Acquisition integration	Failure to achieve the intended Operating Cost synergies following the acquisition of InnovaDerma Plc.	^	The Group ran a Board approved functional integration project to maximise efficiency of the post-acquisition integration. The plans were reviewed and updated during functional, Exec and Board meeting and progress communicated to employees at monthly Townhall meetings. Further information on this can be found in the CEO Statement on page 6 and in the Employee section in Our Stakeholder Engagement and S172 statement on page 22.
Consumer and customer trends	Particularly in the current economic environment, consumer preferences and buying habits could change, meaning our products may not meet consumer needs and our customer acquisition strategies may need to evolve.	^	Regular reviews of EPOS and market dashboards and maintaining close contact with customers gives insight into buying strategies. The acquisition of InnovaDerma, brought deeper digital expertise and knowledge to the team and has improved the frequency and quality of interaction with consumers. This provides important data for the new product development process and into wider market trends including sustainability. Further information on this can be found in the Sustainability report on page 18.

Risk	Potential impact	Change in FY23	Key mitigating activities
Product quality, regulations and compliance	Inconsistent quality or non-compliance with regulations would have a severe impact on service levels, customer relationships and have financial repercussions.	>	The Company has a well-defined new product development process that incorporates product quality and compliance verification. We only partner with long-term, established key suppliers with excellent product quality controls and adherence to compliance standards. We also employ compliance consultants for product labelling verification and registration.
Cost inflation	Disruption to the supply chain could limit availability of products and thereby reduce sales and business performance. Product cost inflation from adverse economic factors could affect consumer demand and Group profitability.	>	The Group maintains a detailed forecast and demand planning process to maximise product availability while optimising its inventory levels. The team has strong, long-term relationships with major suppliers, supported by regular reviews to ensure continuity of supply at competitive prices and early visibility of any issues. Where possible, the sales team negotiates higher rates with retail customers to offset increased costs.
Cyber security	The Group is exposed to the risk of increasingly sophisticated cyber-attacks aimed at causing business disruption, capture of confidential data for financial gain, and reputational damage.	^	The business has assessed its control environment compared to the framework set out by Centre for Internet Security (CIS). There is an improvement plan, updated annually, which incorporates investment in software, policies, procedures, and training. Our supplier review includes a cyber security review to ensure the supply chain is robust. In addition, the Group maintains Cyber insurance.
Pension fund deficit	The revaluation of the defined benefit pension plan on a technical provision basis at each reporting date can cause large fluctuations in valuations based on factors outside the Group's control and drive increases in cash payments into the fund.	^	A fund deficit recovery plan for the period to November 2037 is discussed and agreed every three years. The outcome of the latest triennial review based on the position at 5 April 2023 is expected in the late autumn and will inform the negotiation of any change to the schedule. The deficit recovery plan provides a degree of certainty over cash flows between triennial reviews. The Group maintains a close relationship and regular communication with the Trustees. Further information on the pension scheme recovery plan can be found in the Financial Review on page 25.

Stakeholder Engagement and Section 172

The Board of Directors recognises that the long-term success of the business is dependent on the way we interact with a range of key stakeholders.

As a result, the Board confirms that during the year under review, it has acted to promote the long-term success of the Company for the benefit of stakeholders, whilst having due regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006, being:

(a) the likely consequences of any decision in the long term;
(b) the interests of the Company's employees;
(c) the need to foster the Company's business relationships with suppliers, customers and others;
(d) the impact of the Company's operations on the community and the environment;
(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
(f) the need to act fairly between members of the Company.

Methods used by the Board

The main methods used by the directors to perform their duties include:

- an annual strategy review incorporated into a Board meeting in September each year, which assesses the Group's purpose, values and strategy for the long-term sustainable success of the Group;
- ongoing monitoring of the execution of Group strategy and performance of the business both in the formal schedule of Board meetings and ad hoc interim meetings as required;
- Board review of the Group's governance structure and review of corporate responsibility, sustainability and stakeholder engagement;
- corporate risk register that identifies the potential consequences of decisions in the short, medium and long term so that mitigation plans can be put in place to prevent, reduce or eliminate risks to our business and wider stakeholders;
- external assurance received through financial audits;
- bi-annual investor presentations both with institutional and retail investors as well as regular meetings with the Company's broker;
- employee feedback through surveys, townhalls and bi-annual development reviews; and
- training programmes based on the needs of our directors, senior managers and employees.

Stakeholder engagement

The Board has direct engagement principally with our employees and shareholders but is also kept fully appraised of the material issues of other stakeholders through the executive team and external advisers. In the section below we outline the ways in which we engage with our key stakeholders.

Why we engage

Customers and consumers

Brand Architekts' success has been built on numerous long-standing customer relationships in the UK. As the business develops its omni-channel strategy, it is important we maintain these relationships while also developing others. In particular we must focus on listening to our consumers, facilitated by our new marketplace, to ensure our brands and products meet their needs.

Employees

Brand Architekts' history as a small owner-managed brands business has fostered close collaboration, respect and entrepreneurism among all our employees. As our business grows, it is imperative we maintain this culture, while embedding effective governance structures and training for a £50m revenue size business.

Suppliers

One of the Group's key strengths is in the strong supplier base for its products, both in the UK and Far East, developed over a number of years. This network facilitates not only the product development programmes of our brands but also the on-time delivery of quality products to our customers and consumers.

Shareholders

The engagement with shareholders is a core responsibility for the Board and essential in the delivery of the Group's strategy and future investment in the strategic pillars of the business.

Communities

The Group recognises the importance of social responsibility in its business, mindful of the increasing relevance of the environmental impacts from our products to all our stakeholders and the communities we live in. The management of this aspect will be crucial to the long-term success of the business.

How we engage	Material topics
We engage with our customers via regular ongoing communications, supported by business reviews and annual joint business plans. Our engagement with consumers is effected through our DTC websites and social media activities, either through planned marketing programmes as well as responding to feedback on those platforms and via our customer services team.	– Customer category performance vs competitors. – Brand Architekts' category performance vs competitors. – Consumer trends, needs and habits. – Consumer journey and experience on our DTC platforms. – Environmental and sustainability credentials of our products.
We communicate with employees regularly through local 'town hall' meetings, Company events and Company newsletters, we also monitor employee engagement and sentiment through various means, such as performance development reviews, personal development plans and employee surveys. The regular interaction with our employees informs how we upskill our workforce to ensure we have the correct structure and talent to support our strategic goals. An example of this is the move to a hybrid office working culture.	– Group Strategy deployment including team objectives and KPIs. – Operational efficiency ideas to facilitate strategic initiatives. – Company culture. – Training and development opportunities. – Compensation and incentives.
We work together both virtually and onsite, working where possible on shared development programmes and IT applications for close collaboration. This approach also focuses on building firm understanding of each party's corporate strategic goals to maximise a mutually beneficial relationship. Regular business reviews with standing agenda items have help to challenge and instruct the business in the development of its brands.	– Overall market and category performance. – Consumer needs and habits versus our NPD. – Environmental and sustainability credentials of the manufacturing process and our products. – Outlook, demand planning and supply chain. – Product quality and compliance.
The CEO and CFO, together with the Chairman deliver the Group's interim and final results in person, with presentations, Q&A sessions and roadshows for our major shareholders. We also organise ad hoc investor meetings and an Annual General Meeting in November to provide an opportunity for shareholders to meet the directors and discuss the year's results. This year, we have also implemented bi-annual presentations to retail investors online, to facilitate wider access to all our shareholders.	– Strategy and business model updates. – Financial and operational performance and outlook. – Environmental, Social and Governance. – Long-term, sustainable growth. – Capital allocation including capex, working capital, dividends and M&A.
We are committed to working with our customers and suppliers to minimise any negative environment impacts from our products and supply chain. The expectations of our consumers and communities have informed our Sustainability Pledge (see page 18). We work with suppliers who share our principles in the reduction of waste and energy use in the manufacturing process, focusing on production and design processes and policies to comply with and, wherever possible, anticipate changing legislative and customer demands.	– Compliance with regulations. – Social responsibility and ethical practice. – Environmental impacts recyclability and PCR % of our products.

Stakeholder Engagement and Section 172 continued

Key Business Decisions

Nature of decision	Engagement with stakeholders	Impact on outcome
Settlement of Legal Claim with Mr Haircare	The CEO, CFO and legal advisers together with the other members of the Board held a series of discussions, arguing the merits of going to court or negotiating a settlement. This debate considered the amount of time and energy required to follow the full legal process and the impact on day to day business for management and staff.	A full consideration of the interests of the business and all stakeholders led to the pragmatic and sensible decision to undertake a process of mediation to settle the dispute.
Post InnovaDerma acquisition restructuring	The Board discussed with management the most appropriate structure for the BA business following acquisition and agreed an integration plan. The Australian office was shut down and a number of roles in the UK were revised in order to provide clear roles and reporting lines.	Detailed discussion with all parties led to a successful integration process generating significant cost savings and a sleeker organisation.
Board Composition	During the financial year three events occurred which had a direct effect on the composition of the Board. The CFO, Tom Carter, resigned to take another opportunity, one of the Non-Executive Directors, Simon Piper, resigned and later in the year the Chairman had a period of absence. In each case the Board considered the impact on the business and the appropriate resource that would be required to fulfil roles.	Informed debate led to important decisions. The Board decided to replace the CFO with a part-time CFO and that there was no need to appoint another NED. To cover the Chairman's absence the Board decided to appoint Chris How as interim Chairman.

Financial Review

Challenging external events

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:

	2023	2022
Reported results from continuing operations		
Revenue (Note 2 of the financial statements)	**£20.1m**	£14.3m
Underlying operating (loss) [1]	**£(1.2)m**	£(1.8)m
Loss before taxation	**£(6.8)m**	£(4.1)m
Basic (loss) per share	**(23.5)p**	(23.9)p
Net cash	**£8.2m**	£11.3m

1 Underlying operating (loss) 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:

	2023 Total	2022 Total
Underlying (loss) from operations	**(1,206)**	(1,811)
Amortisation of acquisition-related intangibles	**(1,027)**	(240)
Charge for share-based payments	**12**	(39)
Exceptional items – Impairment of intangible assets	**(3,500)**	(500)
Other exceptional items	**(1,078)**	(1,350)
Operating (loss)	**(6,799)**	(3,940)

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.

Financial Review continued

Statement of comprehensive income

Group statutory revenue for the year was £20.1m (FY 2022: £14.3m), an increase of 41% on the prior year due primarily to the full year effect of the acquisition of InnovaDerma Plc, which completed on 31 May 2022. Excluding InnovaDerma, revenue increased by 7% due to strong international sales offset by challenging trading conditions in the UK.

The underlying gross profit margin was significantly better than the prior year, increasing by 6.2% to 39.7% (2022: 33.5%). This is due to the full year effect of the InnovaDerma portfolio, chiefly Skinny Tan where margins are higher. Margins from the sale of Brand Architekts' brand products have held up well year on year despite continued and significant cost increases throughout the supply chain, notably in raw materials, componentry and energy. Every attempt was made to pass cost increases on to retailers but that is often difficult due to previously agreed pricing commitments.

Despite the challenging trading environment, the Group generated a reduced operating loss in H2, a significant improvement on the performance in H1, due to a focus on better targeted advertising & promotions resulting in improved contribution.

The Group made a loss before tax of £6.8m after amortisation of intangibles £1m, impairment of £3.5m and other exceptional items of £1.1m which included restructuring costs (£0.4m), and costs associated with the resolution of the legal claim with MR haircare (£0.7m).

Financing costs were £0.1m (2022: £0.2m) relating to the defined benefit pension plan notional finance charge.

The effective tax rate for the period was 3% (2022: negative 3%) of pre-tax profits. The effective rate is below the statutory rate of 20.5% due to the losses in the period.

Financial position and cash flow

The Group retains a net cash position of £8.2m, a reduction of £3.1m versus the prior year (2022: £11.3m). The cash outflow was due to a mix of the underlying operating loss of £1.2m, exceptional costs relating to the InnovaDerma acquisition of £1.0m which includes restructuring costs and a £0.6m net increase in working capital following a planned investment in key product line inventory holdings to offset cost inflation. The Company also made a payment of £0.3m, its annual payment commitment to its defined benefit pension scheme as outlined below.

Defined benefit pension plan

The defined benefit pension plan underwent its last triennial valuation on 5 April 2020. The scheme funding at this date revealed a deficit of £21.1m. 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 13 years, and to pay certain administration costs and the PPF levy for the life of the plan. The outcome of the next triennial valuation at 5 April 2023 is expected in late autumn 2023 and will form the basis of a potential re-assessment.

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 2022. This has resulted in a slightly higher discount rate being adopted for accounting purposes compared to last year. This has decreased the fair value of the plan liabilities as measured under IAS 19, and while it is also true that the fair value of the scheme's assets also decreased, the decrease in assets was lower than the decrease in liability hence the net result is a decreased liability under the IAS 19 methodology. For accounting purposes at 30 June 2023, the Group recognised under IAS 19 a net liability of £1.6m (2022: £2.4m).

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 £8.2m. Accordingly, we continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Geoffrey Ellis

Chief Financial Officer and Company Secretary
30 October 2023

Board of Directors

Roger McDowell
Non-Executive Chairman

Roger was reappointed to the Board in March 2012 having previously served as a Non-Executive Director from July 2011 to January 2012. Roger is an experienced director of over 30 years' standing: he led the Oliver Ashworth Group through dramatic growth, Main Market listing and sale to Saint-Gobain, following which he was appointed to a number of non-executive roles, including chairmanships in both public and private equity backed businesses. Roger currently serves as Non-Executive Chairman of Avingtrans plc, Flowtech Fluidpower plc and Hargreaves Services plc. He is also a Non-Executive Director of Tribal Group plc, Proteome Sciences plc and British Smaller Companies VCT2 plc. Roger is also a member of the Remuneration, Audit and Nomination Committees.

Chris How
Independent Non-Executive Director

Chris was formerly the CEO of Swallowfield PLC (the previous name of the Group) and recently held the position of interim CEO of Brand Architekts. Chris brings continuity, detailed knowledge of the business and extensive, relevant sector experience, having previously held senior UK and international leadership positions at PZ Cussons and Colgate Palmolive. Chris chairs the Remuneration Committee.

Amy Nelson-Bennett
Independent Non-Executive Director

Amy joined as an independent Non-Executive Director on 14 March 2022. Amy is an experienced senior executive with over 20 years worth of expertise in driving strategic growth for global brands in retail, beauty and publishing sectors. She has worked with a variety of companies, from start-ups to world-renowned privately-owned businesses, delivering growth and improving profitability. Amy has a track record of modernising brands via digital commerce and marketing in order to drive competitive advantage. Amy is currently Co-CEO of Positive Luxury, the only sustainability assessment tailor-made for the luxury industry. Prior to this, Amy spent five years as Group CEO at Clive Christian Group and four years as President & CEO at Molton Brown (Kao group). Amy chairs the Audit Committee.

Quentin Higham
Chief Executive Officer

Quentin was previously Managing Director of Yardley of London Ltd/Wipro Consumer Care between 2010 and 2020. Prior to that, he was Marketing Director at Coty, with responsibility for the Rimmel cosmetics brand; UK Brand Director at Swatch between 1999 and 2001 and Head of UK Marketing at global cosmetics company, Revlon between 1992 and 1999. In addition, he has first-hand knowledge of our brands having been Commercial Director between 2002 and 2006 at KMI brands with responsibility for the Fish brand and King of Shaves.

Geoff Ellis
Chief Financial Officer

Geoff joined as CFO on 5 June 2023. He has had a distinguished career as an experienced Chief Financial Officer & Chief Operational Officer, with consistent achievement in international business development, combined with expertise in post-merger integration and restructuring. Geoff is a chartered accountant and previously was CFO at Proteome PLC. Between 1995 and 2009 Geoff held a variety of senior executive roles at Walt Disney Incorporated.

Corporate Governance Report

Annual General Meeting

The AGM will be held at the Group's office 8 Waldegrave Road, Teddington TW11 8GT on Tuesday 12 December 2023 at 11am.

The Board, recognising the importance of sound corporate governance, has decided to adopt the QCA's Corporate Governance Code (published in April 2018) (the QCA Code) as the basis for the Company's corporate governance. In applying the QCA Code, the Company applies the 10 principles of the QCA Code (the Principles) to its governance.

Governance principle/Explanation	Further reading
1. Establish a strategy and business model which promote long-term value for shareholders.	
The Board meets annually to review the strategy for the Group. The strategic plan and business model are reviewed by the executive leadership on a monthly basis with relevant operational and management updates being reported to demonstrate delivery and progress to the Board. Decisions of the Board are made in line with the strategic plan and business model for the Group. **Status: Compliant**	CEO's Statement page 6 Business model page 14
2. Seek to understand and meet shareholder needs and expectations.	
Regular dialogues are held with shareholders, including holding briefings with analysts and other investors and staff shareholders. The Company also uses the Annual General Meeting as an opportunity to communicate with its shareholders. The Chairman of the Board is the primary point of contact for all shareholders. The Company produces year end and interim announcements as well as a full Annual Report all of which are available on the Results, Reports and Presentations section of the Company's website and hard copies of the Annual Report are distributed to those shareholders who have requested to continue to receive them. **Status: Compliant**	Stakeholder Engagement and S172 section page 22 Reports and Presentations section, company website (www.brandarchitektsplc.com) Corporate Governance section, company website (www.brandarchitektsplc.com) Shareholder and company news section, company website (www.brandarchitektsplc.com)
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	
The Group's stakeholders include shareholders, members of staff, customers, suppliers, regulators, partners, industry bodies and creditors. The principal ways in which their feedback on the Group is gathered is via the meetings, conversations and feedback processes. This, as well as the actions generated from this feedback, is detailed in our Stakeholders section on page 22. **Status: Compliant**	Further information can be found in our Stakeholders and S172 section on page 22 Corporate Governance section, company website (www.brandarchitektsplc.com)

Governance principle/Explanation	**Further reading**

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

The Company's principal risks and uncertainties are set out in the Strategic Report and the main risks arising from the Company's operations and how these are managed by the Board are also set out in the Notes to the Accounts. The Company's strategy and business model, and the Company's risks and uncertainties are reviewed annually.

The Board regularly considers potential risks to its strategy and the Company's business during formal Board meetings, including agenda items focusing on KPIs, lessons learned from recent initiatives, post investment reviews. The Board concludes its annual risks assessment prior to the preparation of the Annual Report and Accounts, and the impact of these risks on the interests of its key stakeholders including suppliers and customers are also considered.

During the year, the Company has maintained insurance cover for its directors and officers under a directors' and officers' liability insurance policy. The Company has not provided any qualifying third-party indemnity cover for the directors although under the Company's Articles of Association, the Company may indemnify any director or other officer against any such liability.

Status: Compliant

Principal Risks and Uncertainties page 20

Corporate Governance section, company website (www.brandarchitektsplc.com)

5. Maintain the board as a well-functioning, balanced team led by the chair.

The Non-Executive Chairman is responsible for the running of the Board while the Executive Directors have executive responsibility for running the Group's business and implementing Group strategy.

The Board comprises the Non-Executive Chairman, CEO, one executive director and two non-executive directors. The Board considers that all non-executive directors bring an independent judgement to bear notwithstanding the varying lengths of service.

The Board as a whole manages the business of the Company on behalf of the shareholders and in accordance with the Articles of Association. This is achieved through its decision-making and where appropriate through the delegation of certain responsibilities to Committees.

The Board meets formally six times a year, while this is supplemented by ad hoc interim meetings focusing on items requiring discussion, review and approval as required. All meetings were 100% attended during the year.

Non-executive director's terms of appointment provide that they will commit such time as necessary for the fulfilment of their duties. This is anticipated to be in the order of 20 days per annum.

The Board has a formal schedule of matters reserved to it (available on the Company's website www.brandarchitektsplc.com) and is supported by the Audit, Remuneration and Nomination Committees which take place separate to the formal Board meetings.

Status: Compliant

Board of Directors page 27

Corporate Governance section, company website (www.brandarchitektsplc.com)

Corporate Governance Report continued

Governance principle/Explanation	Further reading

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

The Board as a whole is confident that it has a strong team which contains the necessary mix and balance of experience, skills, personal qualities and capabilities to deliver the Company's strategy for the benefit of the shareholders. The Board will continue to review the collective resources of its directors and whether further resource and skills may be required to deliver on the Company's strategic objectives.

Board of Directors page 27

There are two non-executive directors of the Company, who are expected to challenge and contribute to the development of strategy and the achievement of the Company's objectives. They all play their part by being experienced and commercial people who bring a wide range of skills and capabilities to the Board.

Status: Compliant

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

The Board continually considers and evaluates its own performance and effectiveness and that of the individual directors and Board Committee members. The Board also provides regular feedback to the CEO on both personal, Executive Leadership Team and Company performance and will continue to do so on an ongoing basis.

In the year to 30 June 2023 the Board did not undertake a formal process of performance evaluation due to the temporary absence of the Chairman. In FY24 the Board, in common with many businesses of similar size, will adopt as standard practice a Board review using a detailed Board performance questionnaire.

Status: Compliant

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

Brand Architekts is committed to high standards of ethical behaviour This culture is monitored in both its Board, Executive and senior manager meetings and is formalised in the Group's ethical policy, Sustainability blueprint and Company handbook.

Responsibilities section, company website (www.brandarchitektsplc.com)

Sustainability Blueprint Code of Conduct

The Group created an ethical policy in order to ensure that both its organisation and its suppliers manufacture and supply safe, legal products that meet statutory and customer requirements, and that business is conducted in accordance with industry and internationally approved standards of good ethical, employment and environmental practice.

Further details on the Sustainability Blueprint Code of Conduct can be found on page 18.

For employees, the Company implemented a Company Handbook during the year, setting out key policies and expectations.

Insider trading
The Board has appropriate policies and procedures in place to guard against insider trading by employees including directors. Appropriate clearances are required in order that trades can be made and all employees are made aware, via company-wide emails, of relevant close periods prior to financial results being announced.

Conflicts of interest
Under the Companies Act 2006, directors must avoid situations where a direct or indirect conflict of interest may occur. The Company has in place procedures to deal with any situation where a conflict may be perceived.

Status: Compliant

Governance principle/Explanation	Further reading

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

The role of the Board is to ensure delivery of the business strategy and long-term shareholder value.

The general obligations of the Board and the roles and responsibilities of the Chairman and the CEO are set out in the Corporate Governance section of our corporate website. This section includes details of the schedule of matters reserved for Board approval by our Audit, Remuneration and Nomination Committee members and their terms of reference.

The Board fulfils its role by approving the annual strategic plan and monitoring business performance throughout the year. The Board holds formal scheduled Board meetings during the financial year and in addition held a number of unscheduled ad hoc meetings, typically by conference call. There is in place a schedule of matters reserved for Board approval that can be found on the Company's website.

The Board has approved an annual Board calendar setting out the dates, location and standing agenda items for each formal scheduled Board and Committee meeting and scheduled Board calls. Board papers are circulated to directors in advance of scheduled and unscheduled meetings, which are of an appropriate quality to enable the directors to fulfil their obligations and adequately monitor the performance of the business. Directors who are unable to attend a meeting are expected to provide their comments to the Chairman, the CEO, or the Company Secretary as appropriate. The Board also receives management information on a regular basis that sets out the performance of the business. The CEO and Chief Financial Officer are invited to attend the Audit and Remuneration Committee meetings, if appropriate.

All directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings where appropriate to present business updates.

Status: Compliant

Further reading: Corporate Governance section, company website (www.brandarchitektsplc.com)

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

The Company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received. The Chairman talks regularly with the Group's major shareholders and ensures that their views are communicated fully to the Board.

In addition, the Company communicates with shareholders through the Annual Report, full-year and half-year announcements, the Annual General Meeting, general meetings and one-to-one meetings with large existing or potential new shareholders. Further details of these reports can be found on the Company's website.

Status: Compliant

Further reading: Reports and Presentations section, company website (www.brandarchitektsplc.com)

Shareholder and company news section, company website (www.brandarchitektsplc.com)

Directors' Report

The directors' present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the period ended 30 June 2023. The Corporate Governance Report set out on pages 27 to 33 forms part of this report.

Directors

The Company's current directors are listed on page 27, together with their biographical details.

The directors who served at any time during the year and since the year end were as follows:

R S McDowell	
E J Beale	(resigned 30 November 2022)
C G How	
A Nelson-Bennett	
S J Pyper	(resigned 25 May 2023)
Q G A Higham	
T R J Carter	(resigned 5 June 2023)
G J Ellis	(appointed 5 June 2023)

Strategic Report

The Strategic Report set out on page 2 provides a fair review of the Group's business for the year ended June 2023. It also explains the objectives and strategy of the Group, its competition and the markets in which it operates, the principal risks and uncertainties it faces, employee information, the Group's financial position, key performance indicators and likely future developments of the business.

Employee engagement

For employee engagement please refer to our Stakeholder Engagement and Section 172 statement on pages 22 to 24.

Key stakeholders

For our key stakeholders please refer to our Stakeholder Engagement and Section 172 statement on pages 22 to 24.

Financial risk management

For Financial risk management policies please refer to Note 17 Financial Instruments on page 59.

Carbon energy reporting

As the Company consumed 40,000kWh of energy or less in the United Kingdom during the period in respect of which the Directors' Report is prepared no further disclosures are being made with respect to carbon energy usage. Further information with regards to the initiatives taken with regard to our products and their environmental impact can be in found in our Sustainability blueprint on page 18.

Substantial shareholdings

As at 12 October 2023, the following shareholders had notified the Company that they held an interest in 3% or more of its issued ordinary share capital:

Significant shareholders	Shareholding	Percentage of issued shares
Peter Gyllenhammar AB	4,234,500	15.2
Hargreaves Lansdown Asset Mgt	2,363,455	8.5
Soros Fund Mgt	2,051,427	7.3
Roger McDowell	1,676,490	6.0
Mr Mark Ward	1,762,883	6.3
River & Mercantile Asset Mgt	1,500,000	5.4
FIL Investment International	1,485,053	5.3
Interactive Investor	1,447,433	5.2
R & A Persey	1,079,159	3.9
Edale Capital	953,004	3.4

Save for these interests, the directors have not been notified that any person is directly or indirectly interested in 3% or more of the issued ordinary share capital of the Company.

Directors' interests in the Company are disclosed within Note 22 of the financial statements.

Notice of Meeting

This year's Annual General Meeting will be held on Tuesday 12 December 2023. A separate circular will be sent to shareholders and includes the following:

- notice of meeting;
- Form of Proxy; and
- details and information on the resolutions to be proposed.

PKF Francis Clark have expressed their willingness to continue in office as auditor and a resolution proposing their reappointment will be presented at the forthcoming Annual General Meeting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with UK adopted International Accounting Standards (UK Adopted IAS). Under company law, the directors must not approve the financial statement unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Disclosure of information to auditor

At the date of making this report each of the Company's directors, as set out on page 27, confirm the following:

- so far as each director is aware, there is no relevant information needed by the Company's auditor in connection with preparing their report of which the Company's auditor is unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant information needed by the Company's auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information.

By Order of the Board

Roger McDowell

Non-Executive Chairman
30 October 2023
Registered number: 01975376

Independent Auditor's Report to the Members of Brand Architekts Group plc

Opinion

We have audited the financial statements of Brand Architekts Group plc (the Company) and its subsidiaries (the Group) for the period ended 30 June 2023, which comprise the Group statement of comprehensive income, the Group and Company statements of financial position, the Group and Company statements of changes in equity, the Group and Company cash flow statements and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards (UK adopted IAS).

In our opinion:

– the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2023 and of the Group's loss for the period then ended;
– the Group and Company financial statements have been properly prepared in accordance with UK adopted IAS; and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with those requirements.

An overview of the scope of our audit

We planned and performed our audit by obtaining an understanding of the Group and its environment, including the accounting processes and controls, and the industry in which it operates. The Group comprised the following active companies during the full year:

– 1 UK trading Parent Company;
– 5 UK trading subsidiary companies (4 wholly owned and 1 51% owned)
– 4 overseas trading subsidiary companies.

Three of the UK trading companies were subject to full scope audits performed by the group audit team. Two of the UK trading subsidiaries have taken the parental guarantee which exempts them from a full scope audit. One of these was subject to risk specific procedures and the other subject to analytical review procedures by the group audit team. One of the overseas trading subsidiary companies was subject to risk specific procedures by the group audit team. The remaining subsidiaries were subject to analytical review procedures performed by the group audit team.

Those components subject to audit and specific audit procedures cover 96% (2022: 100%) of the Group's revenue and 100% (2022: 94%) of the Group's consolidated loss after tax for the year. Our audit work at the component level is executed at levels of materiality appropriate for such components. Audit work for entities requiring risk specific procedures has been carried out using Group materiality.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. They comprise the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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 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.

Goodwill, brands and investment impairment	Work done
In the accounting policies, the directors identify the impairment review of the Group's carrying value of goodwill and brands and the investment in the Company is one of the main areas of estimation. At 30 June 2023, the carrying value of the intangible asset balances in the Group balance sheet was £14.6m (2022: £18.8m). The carrying value of the investment in the Company is £17.7m (2022: £21.2m) We identified that the audit risk relates to ensuring that management's impairment review is robust and reliable in identifying potential impairment, that the assumptions made are reasonable and the appropriateness of related disclosures. As per IAS36, management impairment reviews compared the carrying value of intangibles against their recoverable amount. Recoverable amount is the higher of value in use and fair value less cost to sell. Management concluded that fair value less cost to sell was considered to represent the recoverable amount for the Brand Architekts Limited and InnovaDerma Group related intangible assets. Management calculated this value based on a multiple of revenue in accordance with standard industry valuation methodology. Management have included an impairment of £3.5m in respect of the InnovaDerma Group goodwill in the Group accounts and investment in the Brand Architekts Group plc Company accounts.	Our audit work included: – Assessing and challenging the key assumptions and calculations applied by management in their impairment reviews including consulting with our internal valuations team over the WACC rate used in the value in use models and discussing the data with the Nomad. – Where management considered the fair value less cost of disposal represented recoverable amount, we challenged and corroborated the key estimates in assessing this value. We compared the multiple of revenue estimate used by management in their valuation techniques to recent acquisitions in the consumer goods market as identified by our valuations team over the last 2–3 years and performed our own sensitivity analysis to consider the level of headroom on the relevant intangibles. – Corroborating evidence that supported management's assumptions surrounding the impairment of InnovaDerma Group. – Reviewing the associated disclosures of the impairment review to ensure compliance with IAS36.

As a result of the procedures performed, we are satisfied the impairment models, the resulting conclusions drawn by management and related disclosures are appropriate.

Inventory valuation and provisioning	Work done
At 30 June 2023 the Group carried net inventory of £6.1m (2022: £7.4m). An inventory provision of £1m is held at the period end (2022: £0.8m). We identified that the audit risk relates to ensuring that inventory is carried at the lower of cost and net realisable value. As disclosed within the accounting policies, the carrying value of inventory is considered a key source of estimation uncertainty.	Our audit work included: – Reviewing the outcome of the prior year estimates made by management in calculating the inventory provision and assessing the impact on the current year. – Reviewing and challenging the estimates and judgements made by management in calculating inventory provisions. – Recalculating the inventory provision using the inputs and assumptions made by management. – Reviewing the net realisable value of inventory by reference to sales prices achieved since the year end. We have considered the average sales prices of inventory achieved by category and quantities held and extrapolated the results across the inventory population to assess management's judgements surrounding net realisable value. – Investigating inventory which has not sold during the period under review or since the year end, along with inventory which had sold for below cost to ensure that it had been adequately provided. – Performing sensitivity analysis on the inputs of the inventory provision and considering the impacts of this on the net realisable value of inventory. – Reviewing the level of disclosures surrounding the inventory provision. – Corroborating the cost of a sample of inventory lines to latest purchase invoices and direct costs associated with their acquisition.

As a result of the procedures performed, we are satisfied that inventory is carried at the lower of cost and net realisable value and the disclosures regarding the estimation uncertainty are adequate.

Independent Auditor's Report to the Members of Brand Architekts Group plc continued

Our application of materiality

Misstatements, including omissions, are considered to be material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We use quantitative thresholds of materiality, together with qualitative assessments in planning the scope of our audit, determining the nature, timing and extent of our audit procedures and in evaluating the results of our work.

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

Overall Group materiality:	£201,000 (2022: £142,000)
Overall Company materiality:	£201,000 (2022: £142,000)
Performance materiality:	75% of financial statement materiality test
Basis for determination for the Group:	1% of revenue (2022: 1% of revenue)
Basis for determination for the Company:	1% of the gross assets (2022: 1% of gross assets) (see comments below)

Range of materiality of the three other components subject to full scope audits: £5,000 – £139,000 (2022: £5,000 – £130,000)
Misstatements above which were reported to the Audit Committee: £10,050 (2022: £4,000)

Rationale for the benchmark applied for the Group:

We consider revenue the most appropriate measure for materiality on the Group accounts given the volatility of underlying results.

Rationale for the benchmark applied for the Company: The Company is currently responsible for the central costs of the Group and holds the investments in the trading subsidiaries. As such revenue is not considered a relevant benchmark for setting materiality for the individual company. We have instead considered the gross asset value of the Company to be the best benchmark to set materiality. This is a generally accepted auditing benchmark for holding companies. However, we have restricted materiality in order that company materiality was not greater than that of the Group.

Conclusions relating to going concern

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

- Reviewing the Group's budgets for the next 12 months;
- Considering the levels of cash held by the Group;
- Assessing the level of fixed overheads in forecasts compared to the cash balances held by the Group; and
- Reviewing going concern related disclosures in the financial statements to ensure they are appropriate.

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 ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

– the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
– the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

– 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
– the Company financial statements are not in agreement with the accounting records and returns; or
– certain disclosures of directors' remuneration specified by law are not made; or
– we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on pages 32 and 33, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

We obtained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates. We identified the principal risks of non-compliance with laws and regulations as relating to breaches around Cosmetic Safety Regulations, specifically around the labelling of products. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as financial reporting legislation (including the Companies Act 2006) and taxation legislation. We considered the extent to which any non-compliance with these laws and regulations may have a negative impact on the Group's ability to continue trading and the risk of a material misstatement in the financial statements.

We also evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and determined that the principal risks related to the misstatement of the result for the year, intangible asset and investment impairment and inventory valuation.

Independent Auditor's Report to the Members of Brand Architekts Group plc continued

Based on this understanding we designed our audit procedures to identify irregularities. Our procedures involved the following:

– Intangible asset and investment impairment and inventory valuation were assessed as Key Audit Matters and our work in respect of them is detailed above.
– We made enquiries of senior management as to their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements. As part of these enquiries, we also discussed with management whether there have been any known instances of material fraud.
– We identified the individuals, including where this is managed by third parties, with responsibility for ensuring compliance with laws and regulations and discussed with them the procedures and policies in place.
– We reviewed minutes of meetings of Senior Management and those charged with governance.
– We challenged the assumptions and judgements made by management in its significant accounting estimates.
– We reviewed legal fees incurred in the period to identify potential breaches in laws and regulations.
– We audited the risk of management override of controls, including through substantively testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an audit report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body for our audit work, for this report, or for the opinions we have formed.

Glenn Nicol (Senior Statutory Auditor)

PKF Francis Clark
Statutory Auditor

Centenary House
Peninsula Park
Rydon Lane
Exeter
EX2 7XE

30 October 2023

Group Statement of Comprehensive Income

For the year ended 30 June 2023 and 30 June 2022

	Notes	2023 £'000	2022 £'000
Revenue	2	**20,085**	14,296
Cost of sales		**(12,101)**	(9,506)
Gross profit		**7,984**	4,790
Commercial and administrative costs		**(10,202)**	(6,880)
Operating loss before exceptional items		**(2,218)**	(2,090)
Exceptional items – Impairment of intangible assets	3	**(3,500)**	(500)
Other exceptional items	3	**(1,078)**	(1,350)
Operating loss		**(6,796)**	(3,940)
Finance income	7	**111**	20
Finance expense	8	**(88)**	(196)
Loss before taxation	4	**(6,773)**	(4,116)
Taxation	9	**188**	(130)
Loss for the year		**(6,585)**	(4,246)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit liability		**444**	5,143
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**–**	–
Other comprehensive income for the year		**444**	5,143
Total comprehensive income for the year		**(6,141)**	897
Loss attributable to:			
Equity shareholders		**(6,588)**	(4,322)
Non-controlling interests		**3**	76
Total comprehensive income attributable to:			
Equity shareholders		**(6,141)**	821
Non-controlling interests		**3**	76
Earnings per share	10		
– basic		**(23.5)p**	(23.9)p
– diluted		**(23.5)p**	(23.9)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

The accompanying accounting policies and notes form part of the financial statements.

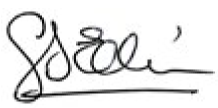
Group Statement of Financial Position

As at 30 June 2023

	Notes	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Property, plant and equipment including right of use assets	11	**43**	53
Intangible assets	12	**14,462**	18,870
Deferred tax assets	18	**520**	730
Total non-current assets		**15,025**	19,653
Current assets			
Inventories	14	**6,123**	7,375
Trade and other receivables	15	**4,774**	5,099
Cash and cash equivalents	20	**8,177**	11,347
Total current assets		**19,074**	23,821
Total assets		**34,099**	43,474
LIABILITIES			
Current liabilities			
Trade and other payables	16	**4,687**	6,844
Current Tax Payable		**2**	9
Total current liabilities		**4,689**	6,853
Non-current liabilities			
Post-retirement benefit obligations	21	**1,619**	2,439
Deferred tax liabilities	18	**2,190**	2,428
Total non-current liabilities		**3,809**	4,867
Total liabilities		**8,498**	11,720
Net assets		**25,601**	31,754
EQUITY			
Share capital	19	**1,397**	1,397
Share premium	19	**11,987**	11,987
Merger reserve	19	**6,588**	6,588
Pension re-measurement reserve	19	**(2,215)**	(2,659)
Retained earnings	19	**7,613**	14,213
Equity attributable to holders of the parent		**25,370**	31,526
Non-controlling interest		**231**	228
Total equity		**25,601**	31,754

The accompanying accounting policies and notes form part of the financial statements.

Approved by the Board on 30 October 2023 and signed on its behalf by



Geoffrey Ellis

Chief Financial Officer and Company Secretary
Company Number: 01975376

Company Statement of Financial Position

As at 30 June 2023

	Notes	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Intangible assets	12	**623**	697
Deferred tax assets	18	**525**	730
Investments	13	**17,671**	21,171
Total non-current assets		**18,819**	22,598
Current assets			
Trade and other receivables	15	**2,424**	1,520
Cash and cash equivalents	20	**5,730**	9,802
Total current assets		**8,154**	11,322
Total assets		**26,973**	33,920
LIABILITIES			
Current liabilities			
Trade and other payables	16	**2,906**	3,924
Total current liabilities		**2,906**	3,924
Non-current liabilities			
Post-retirement benefit obligations	21	**1,619**	2,439
Total non-current liabilities		**1,619**	2,439
Total liabilities		**4,525**	6,363
Net assets		**22,448**	27,557
EQUITY			
Share capital	19	**1,397**	1,397
Share premium	19	**11,987**	11,987
Merger reserve	19	**6,588**	6,588
Capital reserve	19	**467**	467
Pension re-measurement reserve	19	**(2,215)**	(2,659)
Retained earnings	19	**4,224**	9,777
Total equity		**22,448**	27,557

The Company's loss after tax for the year to June 2023 was £5.529m (2022: loss after tax £2.742m).

The accompanying accounting policies and notes form part of the financial statements.

Approved by the Board on 30 October 2023 and signed on its behalf by

Geoffrey Ellis

Chief Financial Officer and Company Secretary
Company Number: 01975376

Group Statement of Changes in Equity

For the year ended 30 June 2023 and the year ended 30 June 2022

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 2022	**1,397**	**11,987**	**6,588**	**(2,659)**	**14,213**	**228**	**31,754**
Non-controlling interest	–	–	–	–	–	3	3
Share based payments	–	–	–	–	(12)	–	(12)
Transactions with owners	–	–	–	–	(12)	3	(9)
Loss for the year attributable to equity shareholders	–	–	–	–	(6,588)	–	(6,588)
Other comprehensive income:							
Re-measurement of defined benefit liability	–	–	–	444	–	–	444
Total comprehensive income for the year	–	–	–	444	(6,588)	–	(6,144)
Balance as at June 2023	**1,397**	**11,987**	**6,588**	**(2,215)**	**7,613**	**231**	**25,601**

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**

The accompanying accounting policies and notes form part of the financial statements.

Company Statement of Changes in Equity

For the year ended 30 June 2023 and the year ended 30 June 2022

Company	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Capital Reserve £'000	Pension re-measurement reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance as at June 2022	**1,397**	**11,987**	**6,588**	**467**	**(2,659)**	**9,777**	**27,557**
Share based payments	–	–	–	–	–	(24)	(24)
Transactions with owners	–	–	–	–	–	(24)	(24)
Loss for the year	–	–	–	–	–	(5,529)	(5,529)
Other comprehensive income:							
Re-measurement of defined benefit liability	–	–	–	–	444	–	444
Total comprehensive income for the year	–	–	–	–	444	(5,529)	(5,085)
Balance as at June 2023	**1,397**	**11,987**	**6,588**	**467**	**(2,215)**	**4,224**	**22,448**

Company	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Capital Reserve £'000	Pension re-measurement reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance as at June 2021	**862**	**11,987**	**–**	**467**	**(7,802)**	**12,476**	**17,990**
Issue of new shares	535	–	6,588	–	–	–	7,123
Share based payments	–	–	–	–	–	43	43
Transactions with owners	535	–	6,588	–	–	43	7,166
Loss for the year	–	–	–	–	–	(2,742)	(2,742)
Other comprehensive income:							
Re-measurement of defined benefit liability	–	–	–	–	5,143	–	5,143
Total comprehensive income for the year	–	–	–	–	5,143	(2,742)	2,401
Balance as at June 2022	**1,397**	**11,987**	**6,588**	**467**	**(2,659)**	**9,777**	**27,557**

The accompanying accounting policies and notes form part of the financial statements.

Cash Flow Statement

For the year ended 30 June 2023 and the year ended 30 June 2022

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Cash flow from operating activities				
Loss before taxation	**(6,773)**	(4,116)	**(5,493)**	(2,581)
Depreciation	**32**	29	**–**	–
Amortisation	**1,118**	388	**74**	78
Impairment of property, plant & equipment	**(166)**	166	**–**	–
Impairment of intangible assets	**3,500**	770	**–**	500
Impairment of investment	**–**	–	**3,500**	–
Finance income	**(111)**	(20)	**(111)**	(10)
Finance cost	**88**	196	**88**	190
(Increase)/Decrease in inventories	**1,252**	(3,084)	**–**	–
Decrease/(Increase) in trade and other receivables	**325**	101	**(904)**	(1,266)
Increase/(Decrease) in trade and other payables	**(2,082)**	641	**(996)**	(559)
Share based payment expense	**(14)**	39	**(23)**	42
Contributions to defined benefit plans	**(318)**	(1,318)	**(318)**	(1,318)
Cash (outflow)/generated from operations	**(3,149)**	(6,208)	**(4,183)**	(4,924)
Finance costs paid	**–**	–	**–**	–
Taxation received	**(66)**	432	**–**	–
Net cash (outflow) from operating activities	**(3,215)**	(5,776)	**(4,183)**	(4,924)
Cash flow from investing activities				
Purchase of property, plant and equipment	**(22)**	(15)	**–**	–
Purchase of intangible assets	**(44)**	(237)	**–**	–
Cash consideration paid for acquisitions	**–**	(1,965)	**–**	(1,965)
Cash acquired on acquisition	**–**	1,510	**–**	–
Net cash flow from investing activities	**(66)**	(707)	**–**	(1,965)
Cash flow from financing activities				
Repayment of/Movements in invoice discounting facility	**–**	–	**–**	–
Finance income received	**111**	20	**111**	10
Repayment of loans	**–**	(1,208)	**–**	–
Net cash flow from financing activities	**111**	(1,188)	**111**	10
Net decrease in cash and cash equivalents	**(3,170)**	(7,671)	**(4,072)**	(6,879)
Cash and cash equivalents at beginning of year	**11,347**	19,018	**9,802**	16,681
Cash and cash equivalents at end of year	**8,177**	11,347	**5,730**	9,802

The accompanying accounting policies and notes form part of the financial statements.

Notes to the Financial Statements

Note 1 Significant accounting policies

General information

Brand Architekts Group plc is a public limited company which is listed on AIM and is 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 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. In making this assessment directors have considered the possible impact of a reduction of trading on budgets and have stress tested the figures by comparing costs committed to with the cash available which showed sufficient headroom to continue trading. 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 acquisition 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 2023 was £5.529m (2022: loss after tax £2.742m).

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2023. 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.

Intangible assets

(i) Computer software

Computer software is stated at cost less accumulated amortisation. Computer software is amortised on a straight-line basis over the expected useful life of three years. Amortisation is recognised at the point an asset is complete and capable of operating in the manner intended by management.

(ii) Brand names and customer relationships

Brand names and customer relationships acquired are recognised as intangible assets at their fair values (see Note 12).

Customer relationships are amortised on a straight-line basis over five or 10 years, based on evaluation at point of acquisition. Amortisation is charged to commercial and administrative expenses and adjusted for in the calculation of underlying result.

Brand names are amortised on a straight-line basis over five years or considered to have an indefinite life. Where they are considered to have an indefinite life, they are tested for impairment annually. This is on the basis that the brand is well established and there is no foreseeable limit on the period of time over which it is expected to contribute to cash flow.

(iii) Goodwill

An impairment test is undertaken where there are indicators of impairment or on an annual basis where intangible assets are determined to have an infinite useful life such as Brands and goodwill. Brands and goodwill are combined together as part of the same CGU and tested together as described below in impairment of assets section.

Notes to the Financial Statements continued

Note 1 Significant accounting policies continued

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation. Where there is evidence of impairment, property, plant and equipment is written down to its recoverable amount. Any such write down is charged to the profit or loss for the year. Property, plant and equipment are depreciated on a straight-line basis over their expected useful lives as follows:

Plant and machinery	5% to 33% per annum

Depreciation is charged to administrative expenses and is recognised at the point an asset is complete.

Impairment of assets
An impairment test is performed annually where required and whenever events and circumstances indicate that the carrying value of an asset may exceed its recoverable amount. The carrying value is compared against the expected recoverable amount of the asset being the higher of the present value of the future net cash flows expected to be derived from that asset (value in use) or the fair value, less costs to sell.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those incurred in bringing each product to its present location and condition, which in the main constitute the purchase price of the goods as well as duty and transportation costs where relevant. Net realisable value is based on estimated selling price.

Inventory is written down to net realisable value where there is a reasonable expectation that it will not be able to be sold for greater than cost. Associated disposal costs are also provided for where necessary.

Taxation
Current tax is the tax payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the Statement of Financial Position date.

Changes in deferred tax assets or liabilities are recognised in profit or loss as a component of tax expense in the Statement of Comprehensive Income, except where they relate to items that are charged or credited directly to equity (such as the pension scheme re-measurement) in which case the related deferred tax is also charged or credited directly to equity.

Foreign currencies
Trading transactions denominated in foreign currencies are recorded in sterling at actual rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the middle market rates ruling at the Statement of Financial Position date. Such exchange differences are recognised in the profit or loss for the year.

The results of subsidiary undertakings with a different functional currency to the Group are translated into £ sterling at the average rate during the period. The statement of financial position of such subsidiaries are translated at the closing rate. Differences created by the retranslation of such subsidiaries, where material, between the average, opening and closing rates are recognised in other comprehensive income and included in the foreign currency translation reserve.

Revenue recognition
Revenue derived from the sale of goods is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and rebates, VAT and other sales-related taxes.

Revenue is recognised when the significant risks and rewards of ownership to the customer have been transferred. This is when performance obligations are deemed to have been satisfied in contracts. All revenue has therefore been recognised at a point in time rather than over a period of time. As such no contract assets or liabilities have been recognised. Costs incurred in obtaining new customers or contracts are written off as incurred and are not taken into consideration when assessing the cost of fulfilling a contract as contracts tend to be satisfied in a period of less than 12 months.

Leased assets
The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the lease term.

The lease liability is presented as a separate line in the Consolidated Balance Sheet. The lease liability is initially measured at the present value of all future lease payments, discounted at the rate implicit in the lease, or if this rate is not readily determined, the incremental borrowing rate of the Group.

All leases held by the Group are short term and of low value.

Employee benefits

Pension obligations

The Group operates both defined benefit and defined contribution pension plans.

i) Defined benefit plans

Plan assets are measured at fair values. Defined benefit pension plan liabilities are measured by an independent actuary using the projected unit method and discounted at the current rate of return on high quality corporate bonds of equivalent term and currency to the liability. The plan was closed to future accrual on 31 December 2015. The expected return on the plan's assets and the increase during the year in the present value of the plan's liabilities, arising from the passage of time, are included in other finance income or cost.

ii) Defined contribution plans

Costs of defined contribution pension plans are charged to the profit or loss in the year they fall due.

iii) Share-based payment transactions

The value, as at the grant date, of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

Financial assets

The Group's financial assets consist of loans and receivables and financial assets at fair value through profit or loss. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. The Group considers overdrafts (repayable on demand) to be an integral part of its cash management activities and these are included in cash and cash equivalents for the purposes of the Cash Flow Statement.

Financial liabilities

The Group's financial liabilities consist of bank borrowings, trade and other payables.

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the profit or loss. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are re-measured at each reporting date at fair value, with changes in fair value being recognised in the profit or loss. All other financial liabilities are carried subsequently at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the profit or loss. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the profit or loss on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are categorised as at fair value through profit or loss where they are classified as held-for-trading or designated as at fair value through profit or loss on initial recognition. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Distributions to shareholders

Dividends and other distributions to shareholders are reflected in financial statements when approved by shareholders in a general meeting, except for interim dividends which are included in financial statements when paid by the Company. Accordingly, proposed dividends are not included as a liability in the financial statements.

Exceptional items

Exceptional items are non-recurring material items which are outside the normal scope of the Group's ordinary activities such as liabilities and costs arising from a fundamental restructuring of the Group's operations, impairment of assets and acquisition related costs.

Notes to the Financial Statements continued

Note 1 Significant accounting policies continued

Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Group that have the most significant impact on the financial statements:

Post-retirement benefits

The Group has a commitment to pay certain future administration costs and PPF levies associated with the Group's defined benefit pension plan as set out in Note 21 Post Retirement Benefits. These future cash flows relate to services that have yet to be provided and which cannot be provided for under IFRS and as such management have not provided for this in the accounts.

Key sources of estimation uncertainty

In applying the above accounting policies, the Group has made appropriate estimates in a number of areas and the actual outcome may differ from those calculated. The key sources of estimation uncertainty at the year-end that may have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment reviews

An impairment test is undertaken where there are indicators of impairment or on an annual basis where intangible assets are determined to have an infinite useful life such as Brands and goodwill using the higher of fair value less costs to sell and a discounted cashflow approach. As a result of the annual review, the InnovaDerma brand was partially impaired by £3.5m. The carrying value of the Group's intangible assets after impairment is £14.4m (2022: £18.8m). Note 12 discloses the assumptions used and sensitivity.

Post-retirement benefits

The Group's defined benefit pension plan is assessed annually. The value in these accounts which has been based on the assumptions of an independent actuary resulted in a deficit of £1.6m (2022: £2.4m) before deferred taxation. The size of the deficit is sensitive to the market value of the underlying plan investments and the actuarial assumptions which include price inflation, pension and salary increases, the discount rate used in assessing the liabilities, mortality rates, and other demographic factors. Further details are included in Note 21.

Carrying value of inventory/inventory provisioning

Inventory provisioning includes a number of judgements and estimates and gives rise to inherent uncertainty. Some products are perishable and are required to comply with cosmetic labelling laws. Judgements are required to be made surrounding the demand and sell through period of these products. If the estimated sales volume anticipated were to decrease by 5% for inventory lines that are expected to be sold for below cost price, a further provision of £84,000 (2022: £76,000) would be required at the year end. Equally, if the estimated sales volume anticipated were to increase by 5% the provision would reduce by £84,000 (2022: £76,000).

Impact of new standards adopted during the period

No new standards have been adopted during the period.

Standards in issue but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

No new standards in issue but not yet effective are expected to have a material impact on the Group.

Note 2 Segmental Analysis

During the year, there were three reportable segments of the Group, 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 2023 and year ended 30 June 2022:

Year ended 30 June 2023	Brand Architekts Brands £'000	InnovaDerma Brands £'000	Eliminations and Central Costs £'000	Total £'000
UK revenue	11,243	4,538	–	**15,781**
International revenue	3,225	1,079	–	**4,304**
Revenue – External	14,468	5,617	–	**20,085**
Revenue – Internal	–	–	–	**–**
Total revenue	**14,468**	**5,617**	**–**	**20,085**
Underlying profit/(loss) from operations	**193**	**(233)**	**(1,166)**	**(1,206)**
Credit/(charge) for share-based payments	(12)	–	24	**12**
Amortisation of acquisition-related intangibles	–	–	(1,027)	**(1,027)**
Exceptional items – Impairment of intangible assets (Note 3)	–	(3,500)	–	**(3,500)**
Other Exceptional items (Note 3)	(147)	(297)	(634)	**(1,078)**
Net borrowing income/(expense)	–	–	26	**26**
Profit/(loss) before taxation	**34**	**(4,030)**	**(2,777)**	**(6,773)**
Tax charge	77	(91)	202	**188**
Loss for the year	**111**	**(4,121)**	**(2,575)**	**(6,585)**

Year ended 30 June 2022	Brand Architekts Brands £'000	InnovaDerma Brands £'000	Eliminations and Central Costs £'000	Total £'000
UK revenue	10,910	741	–	**11,651**
International revenue	2,558	87	–	**2,645**
Revenue – External	13,468	828	–	**14,296**
Revenue – Internal	–	26	(26)	**–**
Total revenue	**13,468**	**854**	**(26)**	**14,296**
Underlying loss from operations	**(667)**	**(87)**	**(1,057)**	**(1,811)**
Credit/(charge) for share-based payments	3	–	(42)	**(39)**
Amortisation of acquisition-related intangibles	–	–	(240)	**(240)**
Other Exceptional items (Note 3)	(281)	(341)	(1,228)	**(1,850)**
Net borrowing income/(expense)	4	–	(180)	**(176)**
Loss before taxation	(941)	(428)	(2,747)	**(4,116)**
Tax charge	**–**	**–**	**(130)**	**(130)**
Loss for the period	(941)	(428)	(2,877)	**(4,246)**

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.

Notes to the Financial Statements continued

Note 2 Segmental Analysis continued

b) Other Income Statement segmental information

Year ended 30 June 2023	Brand Architekts Brands £'000	InnovaDerma Brands £'000	Eliminations and Central Costs £'000	Total £'000
Depreciation/impairment of PPE	**32**	**–**	**–**	**32**
Amortisation/impairment of intangibles*	**91**	**3,500**	**1,027**	**4,618**

Year ended 30 June 2022	Brand Architekts Brands £'000	InnovaDerma Brands £'000	Eliminations and Central Costs £'000	Total £'000
Depreciation	29	166	–	195
Amortisation/impairment*	418	–	740	1,158

* Impairment losses of £nil (2022: £0.5m) in Central Costs is included in Exceptional Items – Impairment of intangible assets.

c) Principal measures of assets and liabilities

The Group's 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 2023 £'000	Period ended 30 June 2022 £'000
UK	**15,781**	11,651
Other European Union countries	**642**	982
Rest of the World	**3,662**	1,663
	20,085	14,296

In the year ended 30 June 2023, the Group had one customer that exceeded 10% of total revenues, being 13.7%. In the year ended 30 June 2022, the Group had three customers that exceeded 10% of total revenues, being 15.5%, 11.8% and 10.3% respectively. All of these customers are reported within the Brand Architekts Brands segment. Revenue is recognised when goods are despatched to the customer and the significant risks and rewards of ownership to the customer have been transferred. Our policy requires customers to pay us in accordance with agreed payment terms. Depending on the geographical location, our settlement terms are generally due within 30 or 60 days from the end of the month of sale.

Note 3 Exceptional Items

Exceptional charges/(credits) from Continuing Operations:	Period ended 30 June 2023 £'000	Period ended 30 June 2022 £'000
Exceptional items – Impairment of intangible assets	**3,500**	500
Other exceptional items:		
Impairment of software	**–**	270
Acquisition costs	**–**	728
Restructuring costs	**390**	186
Legal costs	**705**	
Other exceptional costs	**(17)**	166
Total exceptional items	**4,578**	1,850

Exceptional impairments of intangible assets relates to the partial impairment of the InnovaDerma brand of £3.5m (2022: impairment of Fish brand £0.5m).

Restructuring costs of £0.4m have been incurred following the acquisition of InnovaDerma in the prior year.

Legal costs of £0.7m associated with the resolution of the claim with MR Haircare were incurred in the year, including the settlement agreement reached totalling £425k as disclosed in the Chairman's statement on page 4. Final settlement of these costs were made after the year end.

Note 4 Loss before taxation

	2023 £'000	2022 £'000
(a) This is stated after charging/(crediting)		
Depreciation of property, plant and equipment of purchased assets	**32**	29
Amortisation of intangible assets	**1,118**	388
Impairment of intangible assets and property, plant and equipment (classified as exceptional – Note 3)	**–**	770
Foreign exchange (gains)/losses	**66**	(5)
Amounts expensed for short-term and low value leases	**56**	56
(b) Auditors' remuneration		
Audit services:		
Audit of the Company financial statements	**57**	53
Audit of subsidiary undertakings	**32**	14
Audit-related services:		
Interim review	**3**	3
Non-audit services:		
Corporate finance – acquisition related services	**–**	45

Note 5 Staff costs

	2023 £'000	2022 £'000
Wages and salaries	**3,111**	2,274
Social security costs	**363**	282
Other pension costs	**119**	70
	3,593	2,626

The average monthly number of employees, including executive directors, during the year was:

	2023 Number	2022 Number
Administration	**50**	40
	50	40

Remuneration in respect of directors and Key Management Personnel was as follows:

	Salary/Fees £'000	Bonuses £'000	Pension contributions* £'000	Total 2023 £'000	Total 2022 £'000
Executive Directors					
Q G A Higham	201	41	19	**261**	210
T R J Carter	165	34	13	**212**	169
G Ellis	7	–	–	**7**	–
Non-Executive Directors					
E J Beale	12	–	–	**12**	29
R S McDowell	55	–	–	**55**	60
C G How	30	–	–	**30**	30
A N Bennett	30	–	–	**30**	10
S Pyper	28	–	–	**28**	1
	528	75	32	**635**	509

* Pension contributions relate to defined pension contributions.

Notes to the Financial Statements continued

Note 5 Staff costs continued

Directors' and former directors' interest in share-based options:

Share options:	Number of Share options at June 2022	Number of Share options lapsed in year	Number of Share options cancelled in year	Number of Share options awarded in the year	Number of Shares options exercised in the year	Number of Share options at June 2023	Exercise price	Earliest exercise date	Exercise expiry date
Q Higham	256,743	–	–	230,000	–	486,743	Nil	30/09/23	30/09/25
T Carter	180,070	–	(180,070)	–	–	–	Nil	30/09/23	30/09/25
Total share options	**436,813**	**–**	**(180,070)**	**230,000**	**–**	**486,743**			

The mid-market price of the Ordinary Shares on 30 June 2023 was 36.0p (2022: 54.0p) and the range during the period to 30 June 2023 was 190.0p to 52.50p (year to 30 June 2022: 190.0p to 52.50p).

Note 6 Share Based Employee Remuneration

Executive and Managers Share Option Scheme

The Group operates both approved and unapproved share option schemes.

Date of grant	Number of share options granted	Number of phantom options granted	Exercise price	Fair value pence	Amount expensed in year-ended June 2023 £'000	Period of expense
2020 Share options – managers	28,000	–	120.5p	32p	9	3 years
2020-2023 LTIP – execs share options	486,743	–	Nil	51p	(23)	3 years
Total Options Granted	**514,743**	**–**			**(14)**	

The total number of Ordinary Shares subject to options and which could, in the future, be issued is 514,743. This represents 1.84% of the issued share capital of the Company which comprised 27,943,180 Ordinary Shares at the reporting date. All share options are equity settled.

The Company has used the QCA-IRS option valuer TM (based on the Black-Scholes-Merton based option pricing model) to calculate the fair value of the outstanding manager share options.

The LTIP exec share options have been valued using a Monte Carlo simulation model.

Period ended June 2023 awards

All of the options granted under the LTIP on 9 June 2023 had two performance conditions attached to them. 100% of the award is linked to certain share price targets and the achievement of the individual performance targets over the plan cycle. To the extent that both of the performance conditions are met at the end of the three-year performance cycle, then the options can be exercised at nil cost. Upon vesting, 100% of the award will be made in shares.

Period ended June 2022 awards

All of the options granted under the LTIP on 13 October 2021 had two performance conditions attached to them. 100% of the award is linked to certain share price targets and the achievement of the individual performance targets over the plan cycle. To the extent that both of the performance conditions are met at the end of the three-year performance cycle, then the options can be exercised at nil cost. Upon vesting, 100% of the award will be made in shares.

Note 7 Finance income

	2023 £'000	2022 £'000
Bank interest receivable	**111**	20
	111	20

Note 8 Finance costs

Total	2023 £'000	2022 £'000
Pension plan notional finance charge	**88**	196
	88	196

Calculation of net pension scheme costs	2023 £'000	2022 £'000
Interest cost	**(986)**	(725)
Interest income on plan assets	**898**	529
	(88)	(196)

Note 9 Taxation

(a) Analysis of tax charge in the year

	2023 £'000	2022 £'000
UK corporation tax:		
– on profit for the year	**–**	–
– adjustment in respect of previous years	**–**	–
Total current tax credit	**–**	–
Deferred tax:	**–**	–
– current year (credit)/charge	**(188)**	130
– effect of tax rate change on opening balance	**–**	–
Total deferred tax charge	**(188)**	130
Tax charge	**(188)**	130

(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 20.50% (2022: 19.00%). The applicable rate of tax in the year ended June 2024 will be 25%, the tax rate in the year is 20.50% due to the tax rate changing from 1 April 2023. The differences are reconciled below:

	2023 £'000	2022 £'000
Loss before taxation	**(6,773)**	(4,116)
Tax at the applicable rate of 20.5% (2022: 19.00%)	**(1,388)**	(782)
Effect of:		
Adjustment in respect of previous years	**–**	–
Expenses not deductible for tax purposes	**792**	138
Adjustment to losses	**15**	–
Income not taxable for tax purposes	**–**	–
Deferred tax asset not recognised on taxable losses	**494**	774
Remeasurement of deferred tax for changes in tax rates	**(44)**	–
Other timing differences	**(57)**	–
Actual tax (credit)/charge	**(188)**	130

The Group has tax losses of £12.9m (2022: £11.3m) which have not been recognised as there is no certainty that they can be utilised.

Notes to the Financial Statements continued

Note 10 Earnings per share

	2023	2022
Basic and Diluted		
Loss for the year attributable to equity holders (£'000)	**(6,579)**	(4,322)
Basic weighted average number of ordinary shares in issue during the year	**27,943,180**	18,111,180
Diluted number of shares	**28,032,180**	18,200,180
Basic loss per share	**(23.5)p**	(23.9)p
Diluted loss per share	**(23.5)p**	(23.9)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 2023 and 30 June 2022 respectively

Note 11 Property, plant and equipment

Group	Plant and machinery £'000
Cost:	
At June 2021	134
Acquired through business combinations	166
Additions	15
At June 2022	315
Additions	22
Acquired through business combinations	–
At June 2023	**337**
Depreciation:	
At June 2021	67
Provided during the year	29
Impairment	166
At June 2022	262
Provided during the year	32
Impairment	–
At June 2023	**294**
Net book value:	
At June 2023	**43**
At June 2022	53

No property, plant and equipment or right of use assets were held by the Company during the year ending 30 June 2023, or the comparative period.

Note 12 Intangible assets

Group	Software and trademarks	Brand names £'000	Customer relationships £'000	Goodwill £'000	Trade marks £'000	Total £'000
Cost:						
At June 2021	385	8,715	2,126	2,618	–	13,844
Additions	218	–	–	–	19	237
Acquired through business combinations	–	1,608	2,329	5,736	–	9,673
At June 2022	603	10,323	4,455	8,354	19	23,754
Additions	44	–	–	–	–	44
At June 2023	**647**	**10,323**	**4,455**	**8,354**	**19**	**23,798**
Amortisation:						
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
At June 2022	471	3,024	1,386	–	3	4,884
Provided during the year	85	466	561	–	6	1,118
Impairment charge during the year	–	–	–	3,500	–	3,500
Disposals	–	–	–	(166)	–	(166)
At June 2023	**556**	**3,490**	**1,947**	**3,334**	**9**	**9,336**
Net book value:						
At June 2023	**91**	**6,833**	**2,508**	**5,020**	**10**	**14,462**
At June 2022	132	7,299	3,069	8,354	16	18,870

Company	Brand names £'000	Customer relationships £'000	Total £'000
Cost:			
At June 2021	3,624	480	4,104
At June 2022	3,624	480	4,104
At June 2023	**3,624**	**480**	**4,104**
Amortisation:			
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
Provided during the year	–	74	74
Impairment charge during the year	–	–	–
At June 2023	**3,024**	**457**	**3,481**
Net book value:			
At June 2023	**600**	**23**	**623**
At June 2022	600	97	697

Notes to the Financial Statements continued

Note 12 Intangible assets continued

Impairment testing

Three brands (Brand Architekts, Fish and InnovaDerma) and associated goodwill have been tested for impairment as they have indefinite useful lives. The Brand Architekts and Fish brands gave a valuation in excess of their carrying values, and therefore no impairment is required. The InnovaDerma brand was partially impaired by £3.5m.

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 2%. Fair value less costs to sell was determined by a review of historical acquisitions in the consumer goods market of similar size and current market data 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 8.1% (2022: 8%), 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 2%, in line with wider industry forecasts, in the calculations including into perpetuity.

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. The expectations included in the workings are for increases in performance and profits being made due to cost synergies from integration into the BAG group and a focus on higher margin products.

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 is £600,000. Goodwill held in relation to InnovaDerma was £2,236,000, following the partial impairment of £3,500,000. The value of the customer relationship intangibles for Brand Architekts are £478,000. The values of the customer relationship and brand intangibles for InnovaDerma are £1,863,000 and £1,286,000 respectively.

Sensitivity analysis

Fair value less costs to sell are the higher of the value in use and fair value less costs to sell and as a result the fair value has been used to assess the impairment. A 10% decrease in the fair value for the Brand Architekts goodwill and brand names would not result in an additional impairment. A 10% decrease in the fair value of InnovaDerma would results in an additional impairment of the goodwill of £0.6m and an increase of 10% would result in a reduction in the impairment of the goodwill of £0.6m.

Note 13 Investments

Company	Investments in subsidiaries £'000
Cost:	
At June 2022	27,405
Additions	–
At June 2023	**27,405**
Provision for impairment:	
At June 2022	(6,234)
Provided	**(3,500)**
At June 2023	**(9,734)**
Net book value:	
At June 2023	**17,671**
At June 2022	21,171

Investment In subsidiaries	Company £'000	Group £'000
Brand Architekts	12,084	–
InnovaDerma	5,587	–
	17,671	–

The Company has the following investments:

Name of company	Country of registration	Nature of business	Percentage of voting rights held 2023	Percentage of voting rights held 2022
The Brand Architekts Limited	England	Trading	**100**	100
Mr. Haircare Limited – 51%	England	Trading	**51**	51
InnovaDerma Limited	England	Intermediate holding company	**100**	100
InnovaDerma UK Limited**	England	Trading	**100**	100
SkinnyTan UK Limited**	England	Trading	**100**	100
InnovaDerma AUS & NZ Pty Ltd**	Australia	Trading	**100**	100
Skinny Tan Pty**	Australia	Trading	**100**	100
Bach Brands Pty Ltd **	Australia	Dormant	**100**	100
InnovaDerma, Inc**	USA	Dormant	**100**	100
Innova Science, Inc**	USA	Trading	**100**	100
InnovaDerma Philippines Inc**	Philippines	Group support service	**100**	100

For the year ended 30 June 2023, the following subsidiary companies were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies:

InnovaDerma UK Limited (Registered number: 09028508)
InnovaDerma Limited (Registered number: 09226823)

** Held indirectly through the investment in InnovaDerma Limited.

The non-controlling interest represents the share of earnings within Mr. Haircare Limited due to Jamie Stevens (Media) Limited.

The registered office of The Brand Architekts Limited and Mr Haircare Limited is the same as that of Brand Architekts Group plc.

The registered office of InnovaDerma Limited, InnovaDerma UK Limited and Skinny Tan Limited is 27 Old Gloucester Street, London, WC1N 3AX.

The registered office of Innova Science Inc is 251 Little Falls Drive, Wilmington, Delware, USA.

The registered office of InnovaDerma Aus & NZ Pty Limited and Skinny Tan Pty Limited is Level 42, 2 Park Street Sydney NSW 2000 Australia.

Note 14 Inventories

Group	2023 £'000	2022 £'000
Raw materials	**130**	103
Finished goods and goods for resale	**5,993**	7,272
	6,123	7,375

The Group consumed inventories totalling £12m during the year (2022: £9.5m).

Detailed below is the movement on the inventory provision for the Group:

	2023 £'000
Opening balance	**(849)**
Utilised/released in the period	**(173)**
Closing balance	**(1,022)**

Notes to the Financial Statements continued

Note 15 Trade and other receivables

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Trade receivables	**4,242**	4,191	**15**	–
Amounts owed by Group undertakings	**–**	–	**2,344**	1,332
Other receivables	**118**	509	**3**	139
Prepayments	**414**	399	**62**	49
	4,774	5,099	**2,424**	1,520

The amounts owed by Group undertakings relate to intercompany receivables. These are repayable on demand and no interest is charged. The decrease on Other Receivables compared to the prior year relates to the timing difference of deposits paid to Far East suppliers for Christmas Gift stock orders.

Detailed below is the movement on the bad and doubtful debt provision for the Group:

Group	**2023 £'000**	2022 £'000
Opening balance	**32**	32
(Credit)/charged to profit and loss	**117**	–
Closing balance	**149**	32

An allowance has been made for estimated irrecoverable amounts of £149,000 (2022: £32,000). The estimated irrecoverable amount is arrived at by considering the historic loss rate and adjusting for current expectations, client base and economic conditions. Both historic losses and expected future losses being very low, the directors consider it appropriate to apply a single average rate for expected credit losses to the overall population of trade receivables and accrued income. The single expected loss rate applied is 0.7% (2022: 0.8%). The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Ageing of trade receivables:

Group	**2023 £'000**	2022 £'000
Current	**3,035**	3,157
Overdue but less than 90 days	**1,123**	987
More than 90 days overdue	**84**	47
	4,242	4,191

Our policy requires customers to pay us in accordance with agreed payment terms. Depending on the geographical location, our settlement terms are generally due within 30 or 60 days from the end of the month of sale and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. Where the Group identifies a specific concentration of credit risk attached to any individually significant balances these are specifically reviewed for recoverability and suitable provision made having regard to the credit risk identified.

Note 16 Trade and other payables

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Trade payables	**1,871**	3,988	**224**	194
Amounts owed to subsidiaries	**–**	–	**1,901**	3,469
Other taxes and social security costs	**54**	114	**–**	–
Accruals	**1,849**	2,413	**769**	233
Other payables	**913**	329	**12**	28
	4,687	6,844	**2,906**	3,924

The directors consider that the carrying value of trade and other payables approximates to their fair value.

Note 17 Financial instruments

At 30 June 2023, there were sums totalling £932,734 (2022: £336,000) held in foreign currency bank accounts.

The Group uses financial instruments comprising borrowings, cash and cash equivalents, 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 Group also has bank accounts denominated in euros, US dollars, and Canadian dollars. The purpose of these accounts is to manage the currency transactions arising from the Group's operations overseas. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

Interest rate risk

The Group currently has no debt.

The Group Statement of Financial Position also includes financial assets in the form of cash at bank and in hand totalling £8,177,000 (2022: £11,347,000) which are exposed to floating interest rates based on bank base rates.

Foreign currency risk

The Group is exposed to transactional foreign exchange risk. The Group seeks to hedge its exposures using bank facilities denominated in euros, US dollars, and Canadian dollars and also by buying and selling products in these currencies with the objective of minimising fluctuations in exchange rates on future transactions and cash flows.

Approximately 1% (2022: 1%) of the Group's total sales in the year were invoiced in euros, 12% (2022: 9%) in US dollars and 3% (2022: NIL) in Australian dollars. These sales are calculated in sterling, but invoiced in euros/US/Australian dollars. The Group policy is to minimise currency exposures on balances for which settlement is not anticipated until a later date through the use of the respective bank facilities. All other Group sales are denominated in sterling.

A 5% weakening of sterling would result in a £64,000 increase in reported profits and equity, while a 5% strengthening of sterling would result in a £61,000 decrease in profits and equity.

Credit risk

All trade receivables are subject to credit risk exposure. Where the Group identifies a specific concentration of credit risk attached to any individually significant balances these are specifically reviewed for recoverability and suitable provision made having regard to the credit risk identified.

Liquidity risk

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet the identifiable needs of the Group and to invest cash assets safely and profitably.

The Group's and Company's liabilities have contractual maturities as summarised below:

	30 June 2023			
	Current		Non-current	
Group	Within 6 months £'000	6 –12 months £'000	1 – 5 years £'000	Over 5 years £'000
Financial liabilities at amortised cost through profit or loss	**4,687**	–	–	–
	4,687	–	–	–

	30 June 2023			
	Current		Non-current	
Company	Within 6 months £'000	6 –12 months £'000	1 – 5 years £'000	Over 5 years £'000
Financial liabilities at amortised cost through profit or loss	**2,906**	–	–	–
	2,906	–	–	–

Notes to the Financial Statements continued

Note 17 Financial instruments continued

Group	30 June 2022			
	Current		Non-current	
	Within 6 months £'000	6 –12 months £'000	1 – 5 years £'000	Over 5 years £'000
Financial liabilities at amortised cost through profit or loss	6,844	–	–	–
	6,844	–	–	–

Company	30 June 2022			
	Current		Non-current	
	Within 6 months £'000	6 –12 months £'000	1 – 5 years £'000	Over 5 years £'000
Financial liabilities at amortised cost through profit or loss	3,924	–	–	–
	3,924	–	–	–

Working capital
The Group's working capital policy is to fund short-term movements through excess cash generated from the trading business.

Capital maintenance
The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and
- to maintain an optimal capital structure to reduce the cost of capital.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

Financial assets
Financial assets included in the Statement of Financial Position relate to the following IFRS9 categories:

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Loans and receivables	**12,952**	16,446	**8,122**	11,286
	12,952	16,446	**8,122**	11,286

The financial assets are included in the Statement of Financial Position within the following headings:

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Current assets:				
Trade receivables	**4,243**	4,191	**15**	–
Other receivables and prepayments	**532**	908	**65**	1,252
Intercompany receivables	**–**	–	**2,344**	232
Cash and cash equivalents	**8,177**	11,347	**5,730**	9,802
	12,952	16,446	**8,154**	11,286

Financial liabilities
Financial liabilities included in the Statement of Financial Position relate to the following categories:

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Current liabilities:				
Trade payables	**1,871**	3,988	**226**	194
Intercompany payables	**–**	–	**1,902**	3,469
Accruals	**1,849**	2,413	**810**	233
Other payables	**967**	443	**(32)**	28
	4,687	6,844	**2,906**	3,924

Note 18 Deferred tax

The movement in deferred tax provisions is analysed as follows:

Group	£'000
Deferred taxation	
At June 2021 net asset	1,130
Recognised in profit or loss (including adjustments to the rate at which deferred tax is provided)	(130)
Recognised in other comprehensive income (including adjustments to the rate at which deferred tax is provided)	(1,714)
Acquired on business combinations	(984)
At June 2022 (net liability)	(1,698)
Recognised in profit or loss	176
Recognised in other comprehensive income	(148)
At June 2023 (net liability)	**(1,670)**

	2023 £'000	2022 £'000
Deferred tax is represented by:		
Differences between book value and tax written down value	**(2,190)**	(2,428)
Temporary difference on post retirement benefit obligations	**520**	730
Net (liability)/asset	**(1,670)**	(1,698)
Recognised as:		
Deferred tax assets	**520**	730
Deferred tax liabilities	**(2,190)**	(2,428)
Net (liability)/asset	**(1,670)**	(1,698)

Company	£'000
Deferred taxation	
At June 2021 (net asset)	2,605
Recognised in profit or loss	(161)
Recognised in other comprehensive income (including adjustments to the rate at which deferred tax is provided)	(1,714)
At June 2022 (net asset)	730
Recognised in profit or loss	(57)
Recognised in other comprehensive income	(148)
At June 2023 (net asset)	**525**

Notes to the Financial Statements continued

Note 18 Deferred tax continued

	2023 £'000	2022 £'000
Deferred tax is represented by:		
Temporary difference on post retirement benefit obligations	**(525)**	(730)
	(525)	(730)
Recognised as:		
Deferred tax assets	**(525)**	(730)
	(525)	(730)

All deferred tax assets relate to UK operations/Group companies.

Deferred tax has been provided for based on a tax rate of 25% (2022: 25%), being the substantively enacted tax rate.

No deferred tax assets have been recognised for taxable losses carried forward due to the uncertainty over their utilisation in the current economic environment. The Group and Company have taxable losses of £12.9m (2022: £11.3m for Group and Company) for which no deferred tax asset has been recognised.

Note 19 Share capital and reserves

	2023 £'000	2022 £'000
Equity Ordinary Share capital		
Authorised share capital 33,681,004 (2022: 33,681,004) shares of 5p each	**1,684**	1,684
Allotted, called-up and fully paid Ordinary Shares at 30 June 2023 and 30 June 2022	**1,397**	1,397

Shares in issue
There have been no new shares issued in the year.

Share premium
Share premium reserve includes the accumulated premium on the issue of share capital.

Merger reserve
This reserve represents the difference between the fair value and the nominal value of shares issued in exchange for the shares of another company.

Exchange reserve
This reserve represents exchange differences that had arisen on translation of the foreign controlled entity that had been recognised in other comprehensive income and accumulated in a separate reserve within equity.

Pension re-measurement reserve
Actuarial re-measurement of plan liabilities recognised in other comprehensive income and accumulated in a separate reserve within equity, net of the impact of deferred tax. This forms part of distributable reserves.

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

Non-controlling interest
Non-controlling interest relate to the 49% shareholding of Mr Haircare Limited. NIC is measured as a % of the net assets of Mr at the year end. Non-controlling interest is measured as a percentage of the net assets of Mr Haircare Limited at the year end.

Note 20 Notes to Cash Flow Statement

Group	2023 £'000	2022 £'000
Decrease in cash and cash equivalents	**(3,170)**	(9,181)
Net cash outflow from decrease in borrowings	**–**	1,208
Change in net cash	**(3,170)**	(7,973)
Opening net cash	**11,347**	19,018
Net cash acquired on business combinations	**–**	302
Closing net cash	**8,177**	11,347

(a) Analysis of net cash:

	Closing 2022 £'000	Cash flow £'000	Closing 2023 £'000
Cash at bank and in hand	11,347	(3,170)	**8,177**
Borrowings due within one year	–	–	**–**
	11,347	(3,170)	**8,177**

Company	2023 £'000	2022 £'000
Decrease in cash and cash equivalents	**(4,072)**	(6,879)
Net cash outflow from borrowings	**–**	–
Change in net cash	**(4,072)**	(6,879)
Opening net cash	**9,802**	16,681
Closing net cash	**5,730**	9,802

(b) Analysis of net cash:

	Closing 2022 £'000	Cash flow £'000	Closing 2023 £'000
Cash at bank and in hand	9,802	(4,072)	**5,730**
	9,802	(4,072)	**5,730**

Note 21 Post Retirement Benefits

The Group and Company operate defined contribution pension plans, all of which are funded by the payment of contributions to separately administered plans.

Contributions to defined contribution plans are expensed when they become due for payment and amounted to £119,000 (2022: £96,000). Employer contributions to these plans varied between 1% and 10% of salary depending on the plan and the level of employee contributions.

The Group and Company operates a funded defined benefit plan, the Aerosols International Pension Plan (the Plan) in the UK which provides both pensions in retirement and death benefits to members.

The Group has an obligation to ensure that the Plan has sufficient funding, and promises of future funding, to pay pensions to its members, who are some of the current and former employees of the contract manufacturing business disposed of in August 2019.

The Plan is set up as a Trust, separate from the Group, and managed by the Trustees. The Trust has committed to pay both pensions in retirement and death benefits to members.

Notes to the Financial Statements continued

Note 21 Post Retirement Benefits continued

The Group's obligation to the Plan continues following the sale of the contract manufacturing business. An agreed Schedule of Contributions is in place under which the Group commits to make deficit reduction payments, and to pay (i) the administration costs of the Trust (with the exception of investment management charges), and (ii) the Pension Protection Fund levies, for the life of the Plan. The last scheme funding valuation of the plan was at 5 April 2020 and revealed a deficit of £21,125,000. The deficit reduction payments were based on the actuarial deficit including an allowance for the impact of changes in financial market conditions up to 31 March 2021, which was £15,100,000. The next triennial valuation of the plan will take place at 5 April 2023. The outcome of this is expected to be known in November 2023.

Payments made by the Company to the Plan and in respect of Plan liabilities were:

	2023 £000's	2022 £000's
Deficit recovery payments	**318**	1,318
Plan administrative expenses	**67**	118
Pension Protection Fund premium	**113**	112
Total	**498**	1,548

The amounts expensed in the Group Statement of Comprehensive Income were:

	2023 £000's	2022 £000's
In Operating profit:		
Plan administrative expenses	**101**	118
Pension Protection Fund premium	**113**	112
	214	230
In Finance costs:		
Unwinding of notional discount factor	**88**	196
Total	**302**	426

The deficit reduction payment will be £318,000 per annum for three years to 2024. During 2022 an additional one off payment of £1m was paid. Beyond 2024, payments of £791,000 per annum, for a further 13 years to 2037, will be made.

Anticipated payments by the Company in respect of plan administrative expenses and the pension protection fund premium in the year ending 30 June 2024 are expected to be of a similar order of magnitude to payments in 2023.

IAS 19 Employee Benefits

IAS 19 requires that the assets and liabilities to members of the Plan are consolidated in these Group accounts using the valuation method prescribed in the accounting standard. The effects of the application of IAS19 on the statement of financial position at June 2023 are:

	2023 £'000s	2022 £'000s
Decrease in pension and other benefit obligations	**820**	6,857
(Decrease)/increase in related deferred tax asset	**(376)**	(1,714)
Increase in equity	**444**	5,143

The related deferred tax asset to the pension liability has decreased. See Note 18.

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 2022. 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 2023, the Group recognised under IAS 19 a net liability of £1.6m (2022: £2.4m).

(a) The principal actuarial assumptions used at the Statement of Financial Position date were as follows:

	2023	2022
Discount rate	**5.10%**	3.85%
Inflation assumption (RPI)	**3.50%**	3.10%
Inflation assumption (CPI)	**3.15%**	2.75%
Deferred revaluation for benefits in excess of GMP		
Deferred members	**3.25%**	2.85%
Rate of increase in pensions in payment:		
CPI, max 3%	**2.40%**	2.20%
RPI, max 5%	**3.30%**	3.00%
RPI, max 2.5%	**2.20%**	2.05%
Mortality assumptions:		
Life expectancy of male aged 65 now	**20.5**	21.0
Life expectancy of female aged 65 now	**22.9**	23.4
Life expectancy of male aged 65 in 20 years	**21.7**	22.3
Life expectancy of female aged 65 in 20 years	**24.3**	24.8

The assumptions used in determining the overall expected return on the plan's assets have been set with reference to yields available on corporate bonds.

(b) The assets in the plan at the Statement of Financial Position date were as follows:

	2023 Market value £'000	2022 Market value £'000
Equities	**12,091**	9,424
Property	**1,746**	2,115
Index Linked Gilts	**1,251**	1,843
Corporate Bonds	**1,947**	1,987
Diversified Growth Funds	**2,902**	6,898
LDI funds	**1,454**	1,198
Insureds	**140**	–
Other	**123**	243
Fair value of plan assets	**21,654**	23,708

The actual return on plan assets was a decrease of £1,283,000 (2022: increase £3,099,000).

(c) Amounts recognised in the Statement of Financial Position:

	2023 £'000	2022 £'000
Present value of funded obligations	**(23,273)**	(26,147)
Fair value of plan assets	**21,654**	23,708
(Deficit)	**(1,619)**	(2,439)
Net liability recognised in the Statement of Financial Position	**(1,619)**	(2,439)

Notes to the Financial Statements continued

Note 21 Post Retirement Benefits continued

(d) Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	2023 £'000	2022 £'000
Benefit obligation at beginning of year	**(26,147)**	(36,553)
Movement in the year:		
Notional finance cost	**(986)**	(725)
Actuarial gains/(losses) – financial	**3,725**	10,619
Actuarial gains/(losses) – demographic	**378**	48
Actuarial gains/(losses) – experience	**(1,332)**	(182)
Net benefits paid out	**1,089**	646
Benefit obligation at end of year	**(23,273)**	(26,147)

(e) Reconciliation of opening and closing balance of the fair value of plan assets:

	2023 £'000	2022 £'000
Fair value of plan assets at beginning of year	**23,708**	26,135
Movement in the year:		
Notional interest on plan assets	**898**	529
Return on assets, excluding interest income	**(2,181)**	(3,628)
Contributions – employer	**318**	1,318
Benefits paid out	**(1,089)**	(646)
Fair value of plan assets at end of year	**21,654**	23,708

(f) Re-measurement of the net defined benefit liability to be shown in other comprehensive income

	2023 £'000	2022 £'000
Net re-measurement – financial	**3,725**	10,619
Net re-measurement – demographic	**378**	48
Net re-measurement – experience	**(1,332)**	(182)
Return on assets, excluding interest income	**(2,181)**	(3,628)
	590	6,857
Deferred taxation	**(146)**	(1,714)
Total re-measurement of the net defined benefit liability to be shown in OCI	**444**	5,143

(g) History of plan – the history of the plan for the current year and prior years is as follows:

Statement of Financial Position	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Present value of defined benefit obligation	**(23,273)**	(26,147)	(36,553)	(37,324)	(33,562)	(27,502)
Fair value of plan assets	**21,654**	23,708	26,135	24,087	24,145	23,013
At end of year	**(1,619)**	(2,439)	(10,418)	(13,237)	(9,417)	(4,489)

Characteristics of the Plan and the risks associated with the Plan

a) Information about the characteristics the Plan

i. The Plan provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at retirement and their length of service. As of 31 December 2015, the Plan closed to future accrual.
ii. The Plan is a registered plan under UK legislation and was contracted out of the State Second Pension.
iii. The Plan is subject to the plan funding requirements outlined in UK legislation. The last scheme funding valuation of the Plan was as at 5 April 2020 and revealed a deficit of £21,125,000.
iv. The Plan membership as at 5 April 2020 comprised 247 deferred pensioner members and 141 pensioner members.
v. The Plan was established from 1 January 1987 under trust and is governed by the Plan's trust deed and rules dated 19 January 2001. The Trustees are responsible for the operation and the governance of the Plan, including making decisions regarding the Plan's funding and investment strategy in conjunction with the Company.

b) Information about the risks of the Plan to the Company

The Plan exposes the Company to actuarial risks such as market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk. The small number of Plan members means that the Plan and ultimately the Company are exposed to the experience (such as life expectancy and take-up of member options) of individual members. The Plan does not expose the Company to any unusual Plan-specific or Company-specific risks.

Amount, timing and uncertainty of future cash flows

a) Sensitivity analysis

Please note that the results in the disclosures are inherently volatile, particularly the figures shown on the statement of financial position. The results disclosures are dependent on the assumptions chosen by the Directors.

The table below shows the approximate impact of varying the key assumptions adopted as at June 2023

		June 2023 £'000
Discount rate (increase of 0.25% p.a.)	Decrease by	**900**
Rate of RPI inflation (increase of 0.25% p.a.)	Increase by	**500**
Mortality (1.5% long term rate, rather than 1.25%)	Increase by	**150**

b) Description of asset-liability matching strategies

The Trustees hold a proportion of the Plan's assets in pooled funds invested in gilts, corporate bonds and liability driven investment funds to provide some degree of matching with the Plan's liabilities. Liability driven investment funds and an index-linked gilts fund are used to provide a degree of price inflation and interest rate matching with the liabilities.

c) The Plan's investment strategy

The Plan's investment strategy is to invest broadly 75% in return seeking assets and 25% in matching assets, which include leveraged liability driven investment funds in order to hedge some of the Plan's interest rate and inflation exposure. This strategy reflects the Plan's liability profile and the Trustees' and Company's attitude to risk.

The Plan holds a number of annuity policies which match a portion of pensions in payment.

Note 22 Related parties

Compensation of key management personnel (including directors):

	2023 £'000	2022 £'000
Short-term employee benefits	**603**	479
Post-employment benefits	**32**	30
	635	509

Directors and their Interests

The directors who served during the year and their interests in the Company's share capital are as follows:

	30 June 2023 Ordinary Shares	30 June 2022 Ordinary Shares
C G How	**196,698**	196,698
R S McDowell	**1,676,490**	1,676,490
E J Beale	**–**	–
T R J Carter	**32,197**	32,197
Q G A Higham	**37,037**	37,037
A N Bennett	**–**	–
S Pyper	**–**	–

Mr E J Beale's director's fees have been surrendered to his primary employer, City Group plc. Director's fees of £12,000 were paid or are payable for the year ended June 2023 (2022: £29,000).

In the year to June 2023, £5,000 of Mr C G How's fees have been surrendered to his primary employer, Braebrook Limited. Mr C How is a 50% shareholder and sole director of Braebrook Limited. Total director's fees of £30,000 were paid or are payable for the year ended June 2023 (2022: £30,000).

Notes to the Financial Statements continued

Note 22 Related parties continued

Company transactions with subsidiaries

At the 2023 year end the Company had receivables due from MR Haircare Limited of £266,000 (2022: £119,000) being disclosed within 'Amounts owed by Group undertakings' (see Note 15). In the year to June 2023 MR Haircare Limited made a profit after tax of £7,000 (2022: £173,000) and this is reported in the Group results.

In the year to June 2023, the Company sold products to the value of £nil (2022: £nil) and operated an inter-company current account with Brand Architekts Limited, a wholly owned subsidiary. At the 2023 year end the Company had payables due to Brand Architekts Limited of £1,901,000 (2022: £3,469,000) being disclosed within 'Amounts owed to subsidiaries' (see Note 16). In the year to June 2023 Brand Architekts Limited made a profit before tax of £42,000 (2022: £1,096,000 loss before tax) and this is reported in the Group results.

Note 23 Obligations under leases

	Other		Land & Buildings	
Group	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Within one year	**2**	4	**28**	28
In the second to fifth years inclusive	**–**	3	**–**	–
In over five years	**–**	–	**–**	–
	2	7	**28**	28

	Other		Land & Buildings	
Company	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Within one year	**–**	–	**–**	–
In the second to fifth years inclusive	**–**	–	**–**	–
In over five years	**–**	–	**–**	–
	–	–	**–**	–

Note 24 Post Balance Sheet Events

Since the year end a settlement has been reached in respect of the dispute in relation to Mr Haircare. As part of the settlement agreement, Brand Architekts Group plc will purchase the remaining shares in Mr Haircare at fair value as determined by an independent third party valuer. The basis of valuation adopted is currently subject to challenge and the purchase price has not yet been agreed. The potential value of the shares is not disclosed as it could be prejudicial to the outcome. The transaction is expected to conclude before the end of the 2023 calendar year and a further announcement will be made in due course.

Corporate Directory

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C G How (Non-Executive Director)
Q G A Higham
A Nelson-Bennet
G J Ellis

Secretary

G J Ellis

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Financial Calendar

2023 Annual General Meeting	12 December 2023
Interim results announcement	March 2024
Announcement of 2024 final results	October 2024
2024 Annual General Meeting	November 2024

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