brandarchitekts

Annual Report 2022

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

– Insight-led, problem-solving brands

– Omni-channel routes to market

– Ethical and efficient outsourcing

– Digital 1st Brand invigoration

"Exceeding the expectations of everyday beauty"

Overview

Financial Summary

Revenue

£14.3m

-10% (2021: £15.9m)

Loss before taxation

£4.1m

(2021: £1.9m)

Underlying gross profit margin[1]

33.5%

-340 bps (2021: 36.9%)

Net cash

£11.3m

(2021: £19.0m)

Underlying operating loss[2]

£1.8m

(2021: £0.3m)

1 Underlying gross profit margin is calculated before exceptional items included in costs of sales (further information in Note 3 of the financial statements).

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

Financial Summary

- Group sales for FY22 were down 10% to £14.3m (2021: £15.9m) as the Group navigated the challenging external environment and the impact of reduced consumer confidence on demand. Excluding the contribution from InnovaDerma, which was successfully acquired on 31 May 2022 and which delivered £0.8m of sales in June, Group sales decreased 15% on the prior year.
- Underlying gross profit margins fell 3.4% to 33.5% (2021: 36.9%) driven by product cost inflation, in particular in relation to inbound freight charges for products sourced from China.
- Given the challenging trading environment the Group generated an underlying operating loss of £1.8m, £1.5m higher than the prior year (2021: £0.3m).
- The Group retains a net cash position of £11.3m at the year end, after the payment of the £2.0m cash consideration to acquire InnovaDerma and the majority of the associated transaction costs (£0.8m).

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.

Although our range is a broad church, which enables us to flex with changing consumer behaviour, given recent macroeconomic uncertainty, Brand Architekts has reclassified its 18 brands into three categories: Invest, Nurture and Harvest.

Invest

Skinny Tan

Skinny Tan was created by real women, for real women. With thousands of five-star reviews and a loyal global community, it's become the tan loved by women for the flawless, streak-free, natural looking results it provides – every single time. Vegan friendly, cruelty-free, a 'skinny' up to 99% naturally derived ingredients list and packed with moisturising factors. Skinny Tan believes in body confidence, not body perfection - because everyone feels better with a tan! Skinny Tan is a true omnichannel brand, with a strong offline and a direct-to-consumer (DTC) presence.

Super Facialist

Be your own Super Facialist

No one knows more about the individual traits of their skin than consumers themselves; how it looks, feels and changes at different times and in varying conditions. With Super Facialist, they're equipped to be their own facial expert at home.

The brand's range of six science-based regimes for women addresses skin brightening, hydration, anti-blemish, anti-ageing, firming and sensitive skin. There is also a further regime for the particular needs of male skin. The brand is sold in Boots, Sainsbury's, Waitrose, Tesco, Morrisons and multiple e-com sites, as well as in Ireland.

Nurture

The Solution

The Solution provides hard-working, radiance-revealing body formulations developed by a team of scientists and skincare experts. Using the power of proven active ingredients at efficacious levels to target your skin concerns, it not only feels luxurious on the skin but brings back body confidence. Our entire range is 100% vegan-friendly and cruelty free. The Salicylic Acid Body Gel is the number one product on Amazon for 'backne'. The Solution is sold on Amazon, Ireland and recently launched in DM stores in Hungary, Serbia, Romania and Bulgaria.

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.

A few of the brands are detailed below:

MR. Jamie Stevens

Born out of a need for results driven products that don't sacrifice style, MR. is 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. MR. is sold in Boots and Amazon.

Harvest

Dirty Works

Good clean fun, in a bathroom near you

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') and bath bombs ('And on That Bombshell'). The brand covers all kinds of washing and bathing, skincare, accessories and gifting and is sold in 34 countries.

Dr SALTS+

Wellness solutions

The Dr SALTS+ range helps consumers overcome the stresses and strains of everyday by harnessing the wellness benefits of premium essential oils and pure epsom salts, to provide a restorative influence on mind and body. There are four specific regimes, the brand is vegan friendly and combines 100% natural essential oil fragrances with 100% pure mineral salts. The new improved packaging is **100% recyclable**, with salt barrels made from FSC approved cardboard as well as shower gel tubes made from 30% recycled plastic. Dr SALTS+ is available in Tesco, Waitrose, Amazon, Feel Unique and has recently launched in Ireland, New Zealand and Scandinavia.

Business Overview continued

By real women for real women…
Skinny Tan

Brand proposition:

Skinny Tan doesn't think tanning should mean compromising your skin, so every product is infused with a range of hydrating, nourishing and skin boosting ingredients. We've made it our mission to make tanning easier, accessible and fun by overcoming the key barriers traditionally faced.

- Made with an up to 99% naturally derived 'skinny' ingredients list.
- Enriched with skin-loving ingredients to nourish and hydrate with every application.
- No biscuit smell; our beautiful scents include Coconut & Vanilla, Strawberries & Cream, Peach and Pineapple.
- Unique textures to ensure a flawless, easy and fun application experience every time.
- Your most natural looking tan ever, guaranteed. Nobody will ever know you're faking it!

Brand reach

Available on the high street (Boots, Superdrug); multinational grocers (Tesco, ASDA), E-Tailers (Amazon, Feel Unique, Look Fantastic) and via www.skinnytan.co.uk.

2021 saw the launch of our Amazon store, which has shown strong growth and new listings have been secured in Sainsbury's for September 2022.

The brand's strategy is to initially launch all products on Skinny Tan's DTC business, supporting it with extensive online and offline marketing initiatives. This helps drive overall omnichannel sales and build brand awareness. Over the last 12 months we've seen a strong open and click rate, significantly higher than industry average, that is driving high repeat purchase and customer retention.

Strong & frequent NPD

In the last year Skinny Tan has launched eight new products, capitalising on new skincare markets (Notox Dream Serum) and cementing our existing portfolio with halo products (Wonder Serum Gradual Tanner, Face Tanning Wonder Drops, Coconut Water Bronzing Face Mist).

There have also been re-launches and re-formulations on customer favourites (1 Hour Express Mousse, Dry Mist Finishing Spray) as well as expansions into category trends (Miracle Tan Eraser).

Loved by Liberty Poole

Skinny Tan has partnered with Love Island's Liberty Poole since she left the villa in 2021 and has seen the collaboration go from strength to strength. Liberty's 'real girl' persona and authenticity fits perfectly with the Skinny Tan consumer and have allowed us to remain relevant amid stand out TV moments such as Dancing on Ice 2022.

CoppaFeel charity collaboration

In 2021 Skinny Tan launched their first long-term corporate charity partnership with CoppaFeel, the UK's only breast cancer charity for young people. With a very similar tone of voice and audience demographic, the partnership has allowed us to build credibility and authenticity in a new space. This 'feel good' message and donation mechanic has further engaged media and influencers in our brand and seen a significant increase in content creation, especially since the launch of our limited edition 'Booby Bottle'.

Social squad

Our Skinny Tan Social Squad reward programme, launched in 2021, rewards our community for sharing their purchases and encourages further shopping and sharing. This retention and conversion tool is extremely powerful in ensuring a complete and repeating customer journey. We treat this extended community like VIPs and provide them with exclusive opportunities, first looks and ways in which they can further get involved with Skinny Tan.

Chairman's Statement

"Despite these challenges, we have focused on implementing and making progress against our brand development and brand reach strategic pillars."

Roger McDowell

Non-Executive Chairman
8 November 2022

The period under review has been one of the most turbulent and testing for our business, as we have been faced with the ongoing impact of COVID-19 related supply chain issues, affecting retailers' buying patterns, freight costs, labour inflation and therefore margin. Whilst we are very disappointed with our financial performance, good progress has been made in several key areas. My executive colleagues have worked hard to better position the business, by initiating a deep dive review of our brand portfolio, so that we focus on driving profitability by focusing on our brands that are margin accretive and provide problem-solving solutions. The acquisition of InnovaDerma PLC towards the end of the financial year was an important step forward for the business, bringing a strong brand, Skinny Tan, to our portfolio as well as accelerating our digital skills.

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

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

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

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

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

Across the Group, we have gained significant experience throughout the year as we emerge into a new marketplace that has come through COVID-19 and is now battling unprecedented external challenges. We are still on our journey, but it is imperative that we reflect and adapt in order to ensure that we are well placed to realise our ambitions.

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

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

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

Outlook

We face a very challenging marketplace with headwinds including inflation, reduction of consumer discretionary spend, retailer intransigence and a more challenging DTC environment. Our long-term goals remain in place, but our short-term objectives demand an early return to profitability and cash generation whilst preserving our balance sheet strength.

We will look to build on the combination with InnovaDerma and all the good repositioning work already done by the executive team. We will be focusing on improving DTC profitability and working hard with our suppliers to mitigate cost price increases. The immediate outlook, however, is challenging but we remain positive for our future development and we are alive to opportunities.

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

CEO's Statement

"The notable success of the year has been the acquisition of InnovaDerma PLC. Bringing together two great teams, a complementary portfolio of brands and cross functional skills."

Quentin Higham

Chief Executive Officer
8 November 2022

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

Two years ago, we launched our Project 50 vision, which we stated would be driven by organic growth and through M&A. Since the completion of the acquisition, our focus has been on realising the strategic and financial benefits of the deal to help transform the Group. Immediate priorities have been implementing an effective integration plan, focusing on an omni-channel sales approach (domestic and internationally) and delivering both operations' strategies.

The acquisition has allowed us to review our strategic goals and adapt them to reflect the needs of the enlarged business and the change in global trading conditions, in particular the effect of increased costs on our gross margins. The effects on the supply chain and our manufacturing costs, has meant that our overall Group strategy must evolve, so that we make delivering profit our highest priority. Although net sales growth remains an important financial deliverable, given our issue of scale, our number one focus is improving Group margin and therefore profit. Over the next few years, we will focus our resources on developing brands and categories that can command higher retail prices, engender strong consumer loyalty and stronger margins by delivering highly efficacious problem-solving solutions.

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

1. Brand development

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

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

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

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

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

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

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

- **NPD/Consumer insights**
  As a business we continuously review market data to understand our performance in relation to our competitors, whilst also monitoring consumer trends and working closely with our manufacturers' R&D departments. The marketing team have been working on several new brand initiatives for the forthcoming year. In September 2022 we launched Clear Skin, a new sub-brand of Super Facialist, specifically targeted at spot prone women, as well as several brand extensions (Super Facialist Salicylic Acid).

CEO's Statement continued

By January 2023 we will have launched several exciting Skinny Tan extensions (Coconut Water and new Tanning Whips) and by Spring 2023 we will have relaunched the Super Facialist for Men range and the MR. Haircare brand, alongside some channel exclusive brand extensions.

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

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

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

– **Portfolio management and Mergers & Acquisitions (M&A)**
In addition to the repositioning of the Group's brand portfolio, we continue to evaluate new acquisition opportunities. Our immediate priority is to fully integrate the InnovaDerma brands and people into our operation, but we believe that we have the right structure and solid foundations to readily add additional brands into the Group.

2. Brand reach

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

Skinny Tan's strategy is to initially launch all products on its DTC channel, supporting it with extensive online and offline marketing initiatives. This helps drive overall omnichannel sales and build brand awareness.

Over the last 12 months we've seen a strong open and click rate, significantly higher than industry average, that is driving high repeat purchase and customer retention. The brand has shown good growth in Boots and will be launching into Sainsbury's in September 2022.

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

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

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

– **International**
Our international business benefitted in the year from gains in TK Maxx across Europe and TJ Maxx in North America; the roll out of Root Perfect as a permanent listing in 300+ Normal stores across Europe, as well as a 200-store trial for Kind Natured. Dirty Works bath & body launched in Peru, whilst Dirty Works Skincare launched in Chile. There were encouraging signs of success for The Solution in DM, the pan European drugstore, particularly across Eastern Europe and Argan+ launched in Qatar (Carrefour & Monoprix). Our brands and products are sold in 34 countries and our infrastructure and network should position us well to accelerate our growth post COVID-19 and launch Skinny Tan into multiple North European countries.

3. Environmental & societal responsibility

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

– **Employee development**
Morale & inclusivity: We host and encourage fortnightly 'Townhall' meetings, which allow all employees (irrespective of location) to participate and benefit from transparent and regular updates, presentations and Q&A.

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

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

Personal development:
All employees benefit from bi-annual PDRs (Performance & Development Reviews), PDPs (Personal Development Plans) as well as onsite and offsite training.

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

InnovaDerma Acquisition Benefits

Coming together

Shared values and culture

- Portfolio of challenger brands.
- Digital first mindset.
- Shared values of passion, collaboration, agility and innovation.

Strategic

- Creating a Group of greater scale with complementary sales and marketing competencies.
- Enhanced product portfolio with future collaboration NPD opportunities.
- Enlarged customer base both online and offline as well as international footprint.
- Acceleration of standalone growth strategies for Invest brands.

Financial

- Cost synergies through harmonisation of operating models over time.
- Revenue synergy opportunities from combining digital expertise of InnovaDerma and UK & international retail relationships of Brand Architekts.
- Harmonisation of supply chain and DTC models, key for operational simplification.

Investment Case

Branded business

Brand Architekt's new focus is on implementing its three transformational strategic pillars, which, in conjunction with a targeted M&A strategy, allows it to focus on building a portfolio of high performance, solution-led profitable brands with low capital investment requirements and the potential for superior financial returns.

Strong net cash position

The Group had a net cash position of £11.3m at the year end.

Established relationships with retailers both domestically and internationally

Understanding the needs of retailers, 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.

Distinctive brand portfolio

The business has adapted its brand portfolio to focus resource 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.

Potential for M&A

While our focus is on the integration of InnovaDerma and a strategic focus on profitability, the Group remains alert to acquisition opportunities that will further strengthen its areas of core competence.

Opportunities for further growth online and internationally

The increasing shift online has highlighted the importance of having a strong direct-to-consumer (DTC) reach. Integrating the InnovaDerma DTC expertise 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.

Business Model

Driven by ambitious growth

Resources that define us

Brand portfolio

Problem-solving solution brands

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 12 to 13

Key industry relationships

Manufacturers

Retailers

Distributors

Media

See pages 14 to 15

Finances

Low operational gearing/ capital light/focus on margin

See pages 27 to 28

How we create value – the brand life cycle

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

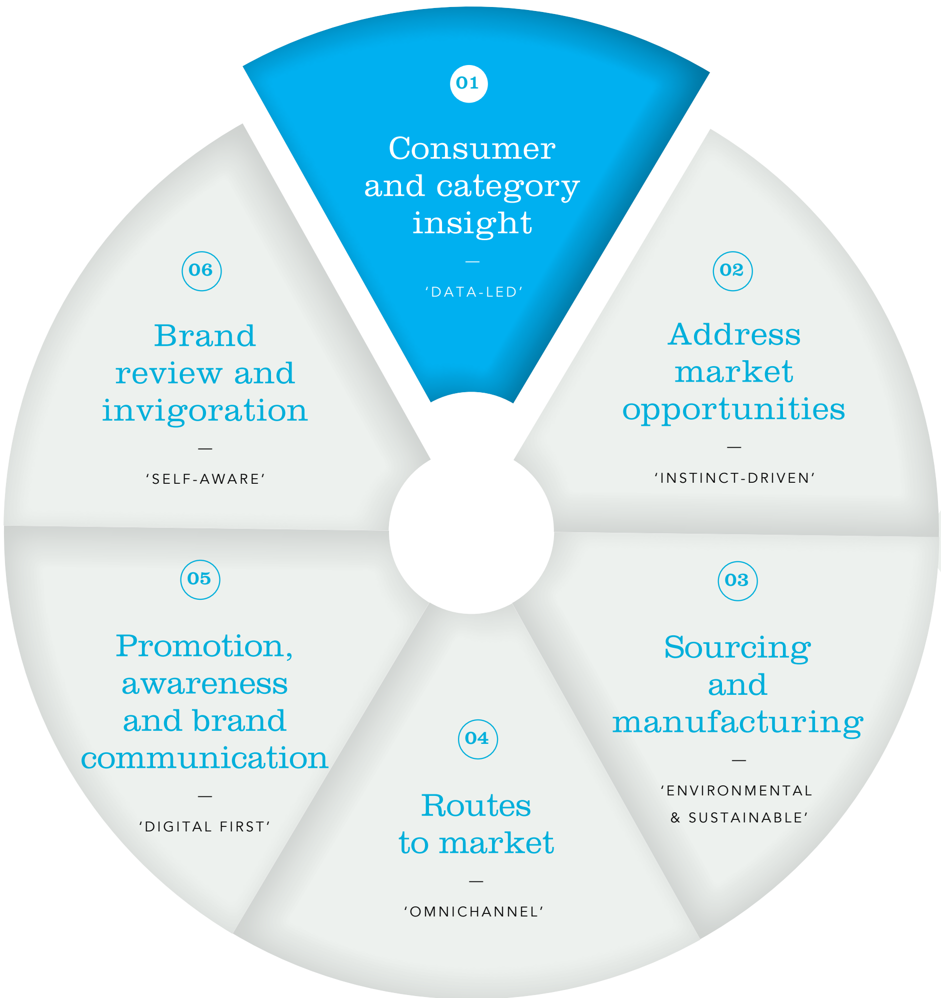
02 Opportunities come in many forms, including market gaps addressable by new product development, and M&A to open new avenues. We focus on problem-solving solution brands that engender high levels of consumer loyalty.

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 broadening our offline distribution domestically and internationally.

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 ‘fewer, bigger, better’ philosophy 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

Trends

Over the last year, the merger of the health and beauty categories has accelerated, as consumers take a more holistic approach to their wellbeing and have increased their expectations.

Global consumers are now perceiving beauty as looking healthy. They are seeking greater authenticity and transparency from beauty brands. This change of values towards a more simplistic, wellness-led approach to beauty will drive a demand for products that don't simply excite, but are proven to work hard for skin, mind and planet.

– **Targeting emotional skin stress**
  Stress continues to be one the most common concerns raised by consumers, and its effect on skin, body and hair is expected to bring a surge of innovation to this space. Our soon to be launched Super Facialist Clear Skin collection was developed to target Gen Z consumers that suffer from skin breakouts, often triggered by skin-stress and anxiety. Consumer-tested, the five-product range harnesses a unique complex made of trending Niacinamide, Prebiotic and Tea Tree Oil. The range goes beyond efficacious formulations and engages consumers with positive quotes, helping to build confidence.

– **Delivering authentic transparency**
  Research proven results have become a must have in skincare, especially when addressing skin concerns such as breakouts or skin ageing. Consumers increasingly expect brands to be honest by running independent users testing or, with true life, authentic before-and-after pictures to back up performance claims. Our latest two additions to the Super Facialist Anti Blemish collection; powered by Salicylic Acid, Niacinamide and a proven herbal complex, have both undergone independent testing with strong results. These will help to further support the promises of the regimes with consumers and retailers and strengthen the offering with efficacious and hard-working formulations.

– **Men's skincare**
  The market for men's skincare products was worth $12.34 billion in 2021 and is forecasted to grow to $18.92 billion by 2027. As cultural attitudes towards masculinity and beauty evolve, experts predict a growing proportion embracing involved skincare and haircare routine. In response, we look to relaunch our Super Facialist Men's and MR. Haircare brands, as well as introduce some exciting must-have products under Fish Styling.

New product opportunities

– **Care culture**
  Care has been brought into sharp focus and we believe there is an opportunity to create products that allow people to live their best, most balanced life.

– **Midlife beauty**
  The conversation around the menopause is opening up, driving innovation in wellness, beauty and femtech. The menopause is now seen as a rite of passage to be accepted, and women are increasingly seeking products that will successfully alleviate these symptoms. We see an exciting opportunity within this growing market to create a unique proposition under The Solution brand.

– **Upcycle beauty**
  48% of UK consumers like to choose brands that practise waste reduction (Mintel, 2022). Upcycled ingredients which represent a powerful tool to reduce the environmental impact of products whilst telling an important story at the same time, have seen their popularity gain traction within the beauty industry. We aim to capitalise on this trend to elevate our natural offering to a more purpose-led, circular proposition.

– **Body positivity**
  The body positivity movement has gained popularity on social media in recent years. It seeks to foster widespread body acceptance and boost self-esteem. Skinny Tan's original and unique proposition was combining self-tan with skin firming benefits. We look to explore new breakthrough ingredients that offer multi-functional self-tanning products that also are proven to enhance, tighten, firm and treat all type of body contours and shapes.

– **Sustainability**
  Faced with greater pressure to truly offer more sustainable products, businesses will be expected to provoke big changes to address the climate emergency – protopias (a more pragmatic take on utopias) may be the answer.

– **Suncare & self tan**
  One of the fastest-growing segments in the personal care industry, the global suncare market is projected to reach $24.9bn by 2024, according to Transparency Market Research. Growing consumer awareness about the importance of daily sun protection and increase in outdoor activities/time outside is driving a high demand for sunscreen products. In response we look to re-launch Skinny Tan Protect & Glow collection and future proof our facial products with new UVA/UVB protection systems.

Sustainability

Embracing responsible packaging

76%

of our plastic packaging now contains PCR (post consumer recycled material) – excluding Christmas gifts.

90%

of the plastic packaging used in Super Facialist and Fish is now PCR inclusive versus less than 20% a year ago.

Moving away from petroleum-based virgin plastic and reducing the use of secondary packaging has been a critical focus for all our relaunches and any value re-engineering projects. Our goal is to continually improve our environmental footprint and provide a more sustainable offering. The recyclability of our packaging and traceability of our ingredients remains significant. We work to optimise our plastic packaging in accordance with the sustainability principles drawn in our Sustainable Blueprint Code of Conduct - 'reduce, reuse, recycle, re-think' all of which contributes towards an improved functional circular economy.

% PCR penetration

The relaunch of Argan+, SenSpa, Happy Naturals and Kind Natured enabled us to accelerate the roll out of PCR across all the plastic packaging within these brands.

	FY22	FY21
Argan+	**81%**	0%
Dirty Works	**43%**	0%
Happy Naturals	**93%**	0%
Kind Natured	**100%**	0%
SenSpa	**100%**	0%
Skinny Tan	**63%**	n/a

Our actions:

Ethical sourcing
100% of our lead ingredients in our Natural portfolio features ethically sourced ingredients.

Packaging reduction
our objective is to engineer boxed products with smaller footprints i.e. Super Facialist Clear Skin Spot Treatment and Hexapeptide-9 Eye Cream cartons used 50% smaller boxes than previously comparative ones.

Plastic reduction
the new Super Facialist Heaxpeptide-9 Eye Cream uses glass rather than plastic. The intention is to roll out glass within the rest of the regime. Development of low-density polyethylene/ PCR bottles for Happy Naturals to reduce packaging weight and enhance consumers experience with greater packaging flexibility. Skinny Tan Christmas Gifts now have 0% single use plastic packaging and all secondary packaging is fully recyclable/FSC grade.

Acting responsibly
greater transparency of packaging and raw materials in all on pack communication to build trust and integrity.

Collaboration
actively engaging with suppliers to make the manufacturing process more sustainable without additional costs to the final products.

We plan to accelerate our sustainability journey by further improving our sustainable practices, so that by 2025 100% of our cartons are FSC certified and 80% of all plastics used are PCR.

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 FY22	Key mitigating activities
Talent retention	Loss of key personnel, employee churn and failure to attract sufficient high quality people could impact the Group's ability to achieve its ambitions.	^	The Remuneration Committee reviews annually key personnel rewards so that they are competitive and commensurate with performance, as well as reflecting the increase in cost of living from inflation. The Group has a Personal Development Plan and Performance Development Review in place as well as training programmes were introduced for all employees 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 CEO's Statement on pages 8 to 11 and also in Employee section in Stakeholder Engagement and Section 172 on pages 24 to 26.
Acquisition integration	Failure to achieve the intended benefits of the acquisition of InnovaDerma PLC through integration of its business with the Brand Architekts Group, in particular with regards to Operating Cost synergies.	^	The Group defined functional integration project plans, supplemented with professional advisors to maximise efficiency of the post acquisition integration. The plans have been reviewed and updated during functional, Exec and Board meetings. Progress updates to employees have been provided during bi-weekly Townhall meetings. Further information on this can be found in the CEO's Statement on pages 8 to 11 and also in Employee section in Stakeholder Engagement and Section 172 on pages 24 to 26.
Consumer and customer trends	Consumer preferences and buying habits, especially in the current economic environment, could lead to our products not meeting consumer needs or not readily available for purchase as well as impacting our customers' strategies.	^	Regular reviews of EPOS and market dashboards and reports as well as maintaining close contact with customers facilitates our understanding and alignment with their strategies. The acquisition of InnovaDerma, bringing deeper digital expertise and knowledge to the team, will improve the frequency and quality of our interaction with consumers, helping to create products that fulfil their needs. Our investment in new product development will closely follow their feedback and wider market trends including sustainability. Further information on this can be found in the Sustainability Report on pages 20 to 21.

Risk	Potential impact	Change in FY22	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 also 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 COVID-19 and other economic factors affecting consumer demand and also 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. Depending on circumstances, the business will invest working capital in additional inventory for fast moving product lines to ensure availability of supply. Where possible, sales prices are negotiated with our retail customers in order to offset cost inflationary pressures.
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 undertaken an assessment of its current control environment versus the Centre for Internet Security (CIS) controls framework. It has already progressed an improvement plan, which will continue into next year, to achieve sufficient maturity in this framework, investing in software, policies, procedures and training. A cyber security review is also being incorporated into our supplier review to support the robustness of our supply chain. 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.	>	There is an agreed deficit recovery plan fixed until November 2037. The next triennial review on which a new schedule will be agreed will be on 5 April 2023. 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 pages 27 to 28.

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 programs 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 environmental impacts from our products and supply chain. The expectations of our consumers and communities have informed our Sustainability Pledge (see pages 20 to 21). 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

Decision-making in practice

The acquisition of InnovaDerma PLC, which was subject to The Takeover Code, was the most significant decision taken by the Board during the course of the year. The following factors were considered:

Considerations and consequences	Further information
The long term	
The Board considered the alignment with the Group's strategic objectives and business plan, in particular with regards to its existing portfolio and routes to market. The acquisition of InnovaDerma was deemed by both the Brand Architekts and InnovaDerma Boards to provide the following strategic benefits to the Combined Group: – Offering a wider range of products to its combined commercial customer base – Accelerating both companies' standalone growth strategies – Establishing a Combined Group of greater scale, whilst retaining a strong balance sheet, to leverage growth opportunities – Increasing international expansion	Our Business Model pages 16 to 17 Sustainability Report pages 20 to 21 CEO's Statement pages 8 to 11
Employees	
A clear communication plan both to our existing employees and those of InnovaDerma (post acquisition) was deployed during regular 'townhall' meetings, to minimise disruption and provide reassurance. Employees were invited to raise questions and a dedicated integration Q&A was published as a result. This planning and communication was critical given the Rule 2.7 and Scheme of Arrangement public documents referred to expected cost synergies following the acquisition through a reduction of staff costs and duplicated overheads. The alignment of the values and culture of InnovaDerma with the Group provided a strong rationale for the acquisition and was instrumental in creating the post-acquisition plan and a successful integration to date.	Stakeholder Engagement and Section 172 pages 24 to 26 CEO's Statement pages 8 to 11
Business relationships with suppliers and customers	
Review of the supply chains and also customer base was reviewed during Due Diligence. Given the overlap of suppliers between the two companies, the supply chain was deemed to be highly compatible. From a customer perspective, the following benefits were envisaged: – Cross-sell opportunities of portfolios to the combined retail customer base – Utilisation of InnovaDerma's digital marketing expertise to bolster engagement with online consumers – Collaboration between the Combined Group's brands in new product development	CEO's Statement pages 8 to 11

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:

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

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

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

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

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

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

Statement of comprehensive income

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

Financial Review continued

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

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

The Group made a loss before tax of £4.1m which included other exceptional items of £1.8m from the partial impairment of the intangible values of male styling brand, Fish (£0.5m), the write down of development costs relating to The Unexpekted Store (£0.3m), impairment of equipment and other restructuring costs (£0.3m) as well as professional fees relating to the acquisition of InnovaDerma PLC (£0.7m). The intangibles were subject to impairment reviews, under IAS 36. The Fish impairment reflected the impact of a reduction in consumer usage and habits that have affected the Male Grooming category in the UK and margins deteriorating through product cost inflation (further detail in Intangible Assets Note 12 of the financial statements). The Unexpekted Store impairment was a result of the acquisition of InnovaDerma, as the Group now plans to focus its DTC activities on key brand Skinny Tan.

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

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

Financial position and cash flow

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

Acquisition of InnovaDerma PLC

On 31 May 2022, the Group completed the acquisition of InnovaDerma PLC. The purchase was effected by a Scheme of Arrangement, whereby InnovaDerma shareholders received for each InnovaDerma share 7 pence in cash and 0.3818 of new Brand Architekt Group plc shares. This consideration equated to £9.1m in total, of which £2m was paid in cash and £7.1m satisfied in shares, based on the Brand Architekts Group plc share price on completion. As the total purchase consideration exceeded the net £0.4m fair value of assets acquired, an exercise was undertaken to allocate the remaining purchase consideration into other intangibles and goodwill. As a result, £3.9m has been recognised as trade name and customer relationships intangible assets with a useful economic life of five years, a related deferred tax provision of £1.0m, with the remaining £5.7m as Goodwill.

Defined benefit pension plan

The defined benefit pension plan underwent its last triennial valuation on 5 April 2020. The actuarial deficit, taking into account market conditions up to 31 March 2021, was £15.1m. The Group entered a revised deficit recovery plan and schedule of contributions in July 2021. Under this there was a commitment to make a one-off deficit reduction payment of £1m by 31 July 2021, £318k payment per annum for four years followed by £791k for a further 13 years, and to pay certain administration costs and the PPF levy for the life of the plan. This commitment will be reassessed at the next triennial valuation at 5 April 2023.

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

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

Going concern

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

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, British Smaller Companies VCT2 plc and Brand Architekts Group plc. Roger is a Director of Koheilan Ltd. Roger is also a member of the Remuneration, Audit and Nomination Committees.

Edward Beale
Independent Non-Executive Director
Edward joined the Company as a Non-Executive Director on 1 July 2014. He is a Chartered Accountant and is the Finance Director of Marshall Monteagle plc. He is a member, previously Chairman, of the Corporate Governance Expert Group of the Quoted Companies Alliance. He was a member of the Accounting Standards Board of the Financial Reporting Council for six years to 31 August 2013. He is a Non-Executive Director of London Finance & Investment Group P.L.C., Western Selection P.L.C., Heartstone Inns Limited, and some of their subsidiary and associated companies. Edward chairs the Audit Committee and is a member of the Remuneration Committee.

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 1st 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).

Simon Pyper
Independent Non-Executive Director
Simon joined the Company as a Independent Non-Executive Director on 16 June 2022. Simon is currently CEO of CPP Group Plc, prior to this he was the CEO and CFO of digital marketing group Be Heard Group Plc. Between 2007-2017 Simon was CFO of AIM quoted GlobalData plc. During his tenure, Simon oversaw its reverse takeover of TMN plc and admission to AIM and facilitated its acquisition-led growth strategy. Simon also has first-hand knowledge of InnovaDerma, on the Board of which he served as a Non-Executive Director. This will prove to be invaluable in ensuring a smooth integration of the business. Simon's financial governance expertise, extensive experience from the retail sector having worked at Arcadia and Musgrave, broad development and implementation of M&A strategies and his excellent track record in delivering revenue and earnings growth will help the Group continue to execute on its growth strategy.

Quentin Higham
Chief Executive Officer
Quentin was previously Managing Director of Yardley of London Ltd/Wipro Consumer Care between 2010-2020. Prior to that, he was Marketing Director at Coty, with responsibility for the Rimmel cosmetics brand; UK Brand Director at Swatch between 1999-2001 and Head of UK Marketing at global cosmetics company, Revlon between 1992-1999. 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.

Tom Carter
Chief Financial Officer

Tom was previously Group Finance and Operations Director at Technetix Group Limited, a market leading technology company. Prior to that, he was Regional Business Controller at Alliance Boots, Financial Controller at Sky Media and Finance Manager at Procter and Gamble. Tom trained as a Chartered Accountant with PwC.

Corporate Governance Report

Annual General Meeting

The AGM will be held at the Group's office 8 Waldegrave Road, Teddington TW11 8GT on Monday 19th December 2022 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 pages 8 to 11 Business Model pages 16 to 17
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 Section 172 pages 24 to 26 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 Stakeholder Engagement and Section 172 on pages 24 to 26. **Status: Compliant**	Stakeholder Engagement and Section 172 pages 24 to 26 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 pages 22 to 23

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 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 29

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 29

The directors of the Company, as non-executives, are expected to not only play a part in the management of the Company but also 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.

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 pages 20 to 21.

For employees, the Company implemented a Company Handbook during the year, setting our 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 2022 The Corporate Governance Report set out on pages 30 to 33 forms part of this report.

Directors

The Company's current directors are listed on page 29, 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	
C G How	
A Nelson-Bennett	(appointed 14 March 2022)
S J Pyper	(appointed 16 June 2022)
Q G A Higham	
T R J Carter	

Strategic Report

The Strategic Report set out on pages 1 to 28 provides a fair review of the Group's business for the year ended June 2022. 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 Stakeholder Engagement and Section 172 on pages 24 to 26.

Key stakeholders

For our key stakeholders please refer to Stakeholder Engagement and Section 172 on pages 24 to 26.

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 our products and their environmental impact can be in found in our Sustainability blueprint on pages 20 to 21.

Substantial shareholdings

As at 8 November 2022, 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
Gyllenhammar Holding AB	2,611,500	9.4
Soros Fund Mgt	2,051,427	7.3
Mark Ward	1,758,934	6.3
Roger McDowell	1,676,490	6.0
River & Mercantile Asset Mgt	1,500,000	5.4
FIL Investment International	1,456,662	5.2
Hargreaves Lansdown Asset Mgt	1,403,249	5.0
Octopus Investments	1,400,000	5.0
Abrdn Plc	1,356,280	4.9
R & A Persey	1,079,156	3.9

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 24 of the financial statements.

Notice of Meeting

This year's Annual General Meeting will be held on Monday 19th December 2022. 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to 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 IFRSs 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 29, 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

Executive Chairman

8 November 2022

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 2022, 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 2022 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;
- 2 UK trading subsidiary companies (1 wholly owned and 1 51% owned);

On 31 May 2022 the parent company acquired the entire share capital of InnovaDerma PLC which comprised:

- 1 UK trading parent company;
- 2 UK trading subsidiary companies; and
- 4 overseas trading subsidiary companies.

3 UK trading companies were subject to full scope audits performed by the group audit team and 1 UK trading company was subject to a full scope audit by a component auditor. 3 overseas trading subsidiary companies where 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 100% (2021: 100%) of the Group's revenue and 94% (2021: 100%) of the Group's consolidated loss after tax for the year. Our audit work, and the audit work conducted by the component auditor, at the component level is executed at levels of materiality appropriate for such components.

The group team issued specific instructions to component auditors covering the significant risks identified at Group level, as detailed below, and approved materiality. The Group audit team communicated with the component auditors throughout the audit process, including performing a review of audit working papers.

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.

Acquisition of InnovaDerma PLC – accounting for business combinations under IFRS3	Work done
As disclosed in Note 22 of the financial statements, the company acquired the entire share capital of InnovaDerma PLC ("the acquired group"). Accounting for business combinations requires significant management judgment in determining the fair value of the underlying assets and liabilities of the acquired group, including intangible assets such as customer relationships and brands. We also consider that there is a risk that the disclosures in the financial statements may not be presented in accordance with the requirements of IFRS3.	Our work included: – Corroborating the fair value of consideration paid, ensuring that the fair value of shares issued in exchange for the acquired group were measured at the date control was achieved. – Reviewing the acquisition balance sheet and agreeing material balances to supporting documentation. – Reviewing and challenging managements' valuation techniques, specifically in relation to the brand names and customer relationships that were previously not recognised on the acquisition balance sheet of the acquired group. We compared and benchmarked these against previous acquisitions of the group and competitors. – Considering the adequacy of the Group's disclosures in respect of the business combination by checking its appropriateness based on our workings and its compliance with the requirements of the relevant standards.

As a result of the procedures performed, we are satisfied that the acquisition of InnovaDerma PLC has been correctly accounted for in line with IFRS3. We are satisfied with the judgements and estimates made by management as part of assessing the fair value of the assets acquired, including brand names and customer relationships.

Goodwill and brands impairment	Work done
In the accounting policies, the directors identify the impairment review of the Group's carrying value of goodwill and brands is one of the main areas of estimation. At 30 June 2022, the carrying value of these balances in the Group balance sheet was £14.0m (2021: £8.8m). 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 value in use fair value less cost to sell. Management have concluded that fair value less cost to sell was considered to represent recoverable amount for the Brand Architekts Limited related intangible assets. Management calculated this value based on a multiple of revenue expected to be received. No impairment review was undertaken by management on the goodwill arising of £5.7m on the acquisition of InnovaDerma PLC, due to the proximity of the acquisition to the year end.	Our audit work included: – Assessing and challenging the key assumptions and calculations applied by management in their impairment reviews. – 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 over the last 2-3 years and performed our own sensitivity analysis to consider the level of headroom on the relevant intangibles. – Performing our own sensitivity analysis to assess the level of headroom on the impairment reviews. – Corroborating evidence that supported management's assumptions surrounding the impairment of Fish, with a focus on historical performance against budget and general trends of the brand. – Assessing and challenging management's sensitivity analysis on key assumptions and calculations, by performing our own sensitivity analysis on short term growth forecasts and assessing their impact on the impairment charge of £0.5m recognised in relation to Fish. – 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.

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

Inventory valuation and provisioning	Work done
At 30 June 2022 the Group carried inventory of £7.4m (2021: £2.3m). An inventory provision of £0.8m is held at the period end (2021: £0.7m). 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. We have corroborated estimates used by management surrounding the usable life of inventory to industry data and customer preferences. – 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 entire 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 for. – 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. – Corroborating the need for new provisions against certain product lines to market information that reflect current regulations.

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.

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:	£142,000 (2021: £158,000)
Overall Company materiality:	£142,000 (2021: £158,000)
Performance materiality:	75% of financial statement materiality test
Basis for determination for the Group:	1% of revenue (2021: 1% of revenue)
Basis for determination for the Company:	1% of the gross assets (2021: 1% of gross assets) (see comments below)

Range of materiality of the 3 other components subject to full scope audits: £5,000 – £130,000
Misstatements above which were reported to the Audit Committee: £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, reflecting the change in status of the Company. 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 cashflow forecast 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 twelve 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 34 to 35, 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.

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

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 ourprocedures 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, the acquisition of InnovaDerma PLC, goodwill impairment and inventory valuation.

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

- The acquisition of InnovaDerma PLC. Goodwill 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, of which there were none.
- 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 obtained direct confirmation from the Group's legal representative to confirm current status of legal claims.
- 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

8 November 2022

Group Statement of Comprehensive Income

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

	Notes	2022 £'000	2021 £'000
Revenue	2	**14,296**	15,875
Cost of sales (including Exceptional credits)	3	**(9,506)**	(9,530)
Gross profit		**4,790**	6,345
Commercial and administrative costs		**(6,880)**	(6,408)
Operating loss before other exceptional items		**(2,090)**	(63)
Other exceptional items	3	**(1,850)**	(1,600)
Operating loss		**(3,940)**	(1,663)
Finance income	7	**20**	2
Finance expense	8	**(196)**	(224)
Loss before taxation	4	**(4,116)**	(1,885)
Taxation	9	**(130)**	(314)
Loss for the year		**(4,246)**	(2,199)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit liability		**5,143**	2,786
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**–**	–
Other comprehensive income for the year		**5,143**	2,786
Total comprehensive income for the year		**897**	587
(Loss)/profit attributable to:			
Equity shareholders		**(4,322)**	(2,253)
Non-controlling interests		**76**	54
Total comprehensive income attributable to:			
Equity shareholders		**821**	533
Non-controlling interests		**76**	54
Earnings per share	10		
– basic		**(23.9)p**	(13.1)p
– diluted		**(23.9)p**	(13.1)p
Dividends			
Paid in year (£'000)		**Nil**	Nil
Paid in year (pence per share)		**Nil**	Nil
Proposed (£'000)		**Nil**	Nil
Proposed (pence per share)		**Nil**	Nil

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

Group Statement of Financial Position

As at 30 June 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Property, plant and equipment including right of use assets	11	**53**	67
Intangible assets	12	**18,870**	10,118
Deferred tax assets	18	**730**	2,605
Total non-current assets		**19,653**	12,790
Current assets			
Inventories	14	**7,375**	2,299
Trade and other receivables	15	**5,099**	3,651
Cash and cash equivalents		**11,347**	19,018
Current tax receivable		**–**	432
Total current assets		**23,821**	25,400
Total assets		**43,474**	38,190
LIABILITIES			
Current liabilities			
Trade and other payables	16	**6,844**	2,602
Current Tax Payable		**9**	–
Total current liabilities		**6,853**	2,602
Non-current liabilities			
Post-retirement benefit obligations	21	**2,439**	10,418
Deferred tax liabilities	18	**2,428**	1,475
Total non-current liabilities		**4,867**	11,893
Total liabilities		**11,720**	14,495
Net assets		**31,754**	23,695
EQUITY			
Share capital	19	**1,397**	862
Share premium	19	**11,987**	11,987
Merger reserve	19	**6,588**	–
Pension re-measurement reserve	19	**(2,659)**	(7,802)
Retained earnings	19	**14,213**	18,496
Equity attributable to holders of the parent		**31,526**	23,543
Non-controlling interest		**228**	152
Total equity		**31,754**	23,695

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

Approved by the Board on 8 November 2022 and signed on its behalf by

Tom Carter

Thomas Carter
Chief Financial Officer and Company Secretary
Company Number: 01975376

Company Statement of Financial Position

As at 30 June 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Intangible assets	12	**697**	1,271
Deferred tax assets	18	**730**	2,605
Investments	13	**21,171**	12,084
Total non-current assets		**22,598**	15,960
Current assets			
Trade and other receivables	15	**1,520**	254
Cash and cash equivalents		**9,802**	16,681
Total current assets		**11,322**	16,935
Total assets		**33,920**	32,895
LIABILITIES			
Current liabilities			
Trade and other payables	16	**3,924**	4,487
Total current liabilities		**3,924**	4,487
Non-current liabilities			
Post-retirement benefit obligations	21	**2,439**	10,418
Total non-current liabilities		**2,439**	10,418
Total liabilities		**6,363**	14,905
Net assets		**27,557**	17,990
EQUITY			
Share capital	19	**1,397**	862
Share premium	19	**11,987**	11,987
Merger reserve	19	**6,588**	–
Capital reserve	19	**467**	467
Pension re-measurement reserve	19	**(2,659)**	(7,802)
Retained earnings	19	**9,777**	12,476
Total equity		**27,557**	17,990

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

Approved by the Board on 8 November 2022 and signed on its behalf by

Tom Carter

Thomas Carter
Chief Financial Officer and Company Secretary
Company Number: 01975376

Group Statement of Changes in Equity

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

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

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

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

Company Statement of Changes in Equity

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

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**

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 2020	**862**	**11,987**	**–**	**467**	**(10,588)**	**15,297**	**18,025**
Share based payments	–	–	–	–	–	31	31
Transactions with owners	–	–	–	–	–	31	31
Loss for the year	–	–	–	–	–	(2,852)	(2,852)
Other comprehensive income:							
Re-measurement of defined benefit liability	–	–	–	–	2,786	–	2,786
Total comprehensive income for the year	–	–	–	–	2,786	(2,852)	(66)
Balance as at June 2021	**862**	**11,987**	**–**	**467**	**(7,802)**	**12,476**	**17,990**

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

Cash Flow Statement

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

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

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

Basis of preparation

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

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

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

Basis of consolidation

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

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

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

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

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 3 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 5 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 5 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 using a discounted cash flow approach.

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 pounds 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 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. The Group has applied the practical expedient permitted by IFRS 15 to not disclose the transaction price allocated to performance obligations unsatisfied or partially unsatisfied as of the end of the reporting period as contracts typically have an original expected duration of a year or less. 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.

Notes to the Financial Statements continued

Note 1 Significant accounting policies continued

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.

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.

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 a discounted cash flow approach. Note 12 discloses the assumptions used.

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 £2.4m (2021: £10.4m) 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 net realisable value were to decrease by 5% for inventory lines that are expected to be sold for below cost price, a further provision of £76,000 (2021: £128,000) would be required at the year end. Equally, if the estimated net realisable value were to increase by 5% the provision would reduce by £76,000 (2021: £128,000).

Fair value of assets on acquisition of InnovaDerma PLC

Judgements and estimates were required to be made in assessing the fair value of assets acquired in the InnovaDerma PLC acquisition. As described within Note 22, estimates were made in assessing the carrying value of the following previous recognised assets and liabilities as follows:

- investment in an associate undertaking
- certain fixed assets
- inventory
- supplier liabilities

If fair value adjustments were not made for these items goodwill recognised on acquisition would have been £744,000 lower.

Further fair value adjustments were made on acquisition in relation to previously unrecognised intangible assets, being Brand Names and Customer Lists. Judgements and estimates were made in the valuation techniques as they were reliant on expected future cashflows generated. Any change in fair value of these intangible assets would result in an equal and opposite change in the value of goodwill acquired.

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 and following the acquisition of InnovaDerma Limited, there were three reportable segments of the Group (two in the comparative period), the reportable segments of the Group were aggregated as follows:

– Brand Architekts Brands – These include those brands organically developed plus the acquisitions of the portfolio of Brands included in The Brand Architekts acquisition (in 2016) and the Fish brand acquired during 2018.
– InnovaDerma Brands – This segment includes those brands acquired as part of the InnovaDerma business combination. The results of InnovaDerma brands are currently reported separately from other brands to the directors.
– Eliminations and Central Costs. Other Group-wide activities and expenses, including defined benefit pension costs, share-based payment expenses/(credits), amortisation of acquisition-related intangibles, interest, taxation and eliminations of intersegment items, are presented within 'Eliminations and central costs'.

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

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

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

Year ended 30 June 2022	Brand Architekt Brands £'000	InnovaDerma Brands £'000	Eliminations and Central Costs £'000	Total £'000	2021 Total £'000
UK revenue	10,910	741	–	**11,651**	13,447
International revenue	2,558	87	–	**2,645**	2,428
Revenue – External	13,468	828	–	**14,296**	15,875
Revenue – Internal	–	26	(26)	**–**	–
Total Revenue	**13,468**	**854**	**(26)**	**14,296**	15,875
Underlying loss from operations	**(667)**	**(87)**	**(1,057)**	**(1,811)**	(273)
Credit/(charge) for share-based payments	3	–	(42)	**(39)**	(38)
Amortisation of acquisition-related intangibles	–	–	(240)	**(240)**	(240)
Exceptional items included in cost of sales (Note 3)	–	–	–	**–**	488
Other Exceptional items (Note 3)	(281)	(341)	(1,228)	**(1,850)**	(1,600)
Net borrowing income/(expense)	4	–	(180)	**(176)**	(222)
Loss before taxation	**(941)**	**(428)**	**(2,747)**	**(4,116)**	(1,885)
Tax charge	–	–	(130)	**(130)**	(314)
Loss for the period	**(941)**	**(428)**	**(2,877)**	**(4,246)**	(2,199)

Notes to the Financial Statements continued

Note 2 Segmental Analysis continued

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

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

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

b) Other Income Statement segmental information

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

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

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

c) Principal measures of assets and liabilities

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

d) Additional entity-wide disclosures

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

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

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

Note 3 Exceptional Items

Exceptional charges/(credits) from Continuing Operations	**Period ended 30 June 2022 £'000**	Period ended 30 June 2021 £'000
Included within Cost of sales:		
Inventory related	**–**	(488)
Other exceptional items:		
Impairment of intangible assets and property, plant and equipment	**936**	1,600
Acquisition costs	**728**	–
Restructuring costs	**186**	–
	1,850	1,600
Total exceptional items	**1,850**	1,112

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

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

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

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

Notes to the Financial Statements continued

Note 4 Loss before taxation

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

Note 5 Staff costs

	2022 £'000	2021 £'000
Wages and salaries	**2,274**	2,266
Social security costs	**282**	280
Other pension costs	**70**	69
	2,626	2,615

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

	2022 £'000	2021 £'000
Administration	**40**	40
	40	40

Remuneration in respect of directors and key management personnel was as follows:

	Salary/Fees £'000	Bonuses £'000	Pension contributions £'000	Total 2022 £'000	Total 2021 £'000
Executive Directors					
Q G A Higham	192	–	18	**210**	290
T R J Carter	157	–	12	**169**	242
Non-Executive Directors					
B M Hynes (resigned 28 September 2020)	–	–	–	**–**	15
E J Beale	29	–	–	**29**	29
R S McDowell	60	–	–	**60**	53
C G How	30	–	–	**30**	29
A N Bennett	10	–	–	**10**	–
S Pyper	1	–	–	**1**	–
	479	–	30	**509**	658

Director's and former Directors' interest in share based options:

Share Options:	Number of Share options at June 2021	Number of Share options lapsed in year	Number of Share options Awarded in year	Number of Shares options Exercised in the year	Number of Share options at June 2022	Exercise Price	Earliest Exercise Date	Exercise Expiry Date
Q Higham	145,228	–	111,515	–	**256,743**	Nil	30/09/23	30/09/31
T Carter	102,282	–	77,788	–	**180,070**	Nil	30/09/23	30/09/31
Total share options	247,510	–	189,303	–	**436,813**			

The mid-market price of the Ordinary Shares on 30 June 2022 was 54.0p (2021: 189.0p) and the range during the period to 30 June 2022 was 190.0p to 52.50p (52 weeks to 30 June 2021: 109.8p to 200.0p).

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 2022 £'000	Period of expense
2020 Share options – managers	89,000	–	120.5p	32p	(3)	3 years
2020 & 2021 LTIP – execs share options	436,813	–	Nil	51p	42	3 years
Total Options Granted	**525,813**	**–**			**39**	

The total number of Ordinary Shares subject to options and which could, in the future, be issued is 525,813. This represents 1.88% 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 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

	2022 £'000	2021 £'000
Bank interest receivable	**20**	2
	20	2

Notes to the Financial Statements continued

Note 8 Finance costs

Total	2022 £'000	2021 £'000
Bank loans, overdrafts and lease interest	–	28
Pension plan notional finance charge	**196**	196
	196	224

Calculation of net pension scheme costs	2022 £'000	2021 £'000
Interest cost	**(725)**	(553)
Interest income on plan assets	**529**	357
	(196)	(196)

Note 9 Taxation

(a) Analysis of tax charge in the year

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

(b) Factors affecting total tax charge for the year

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

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

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

Note 10 Earnings per share

	2022	2021
Basic and Diluted		
Loss for the year attributable to equity holders (£'000)	**(4,322)**	(2,253)
Basic weighted average number of Ordinary Shares		
In issue during the year	**18,111,180**	17,230,702
Diluted number of shares	**18,200,180**	17,319,702
Basic loss per share	**(23.9)p**	(13.1)p
Diluted loss per share	**(23.9)p**	(13.1)p

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

Note 11 Property, plant and equipment

Group	Plant and Machinery £'000
Cost:	
At June 2020	254
Disposal of right of use assets	(186)
Additions	66
At June 2021	134
Additions	15
Acquired through business combinations (Note 22)	166
At June 2022	**315**
Depreciation:	
At June 2020	112
Provided during the year	7
Disposal of right of use assets	(52)
At June 2021	67
Provided during the year	29
Impairment	166
At June 2022	**262**
Net book value:	
At June 2022	**53**
At June 2021	67

The carrying value of right of uses assets included in Plant and Machinery is £nil (2021: £nil). The Group holds no right of use assets.

No property, plant and equipment or right of use assets were held by the company during the year ending 30 June 2022, or the comparative period.

Notes to the Financial Statements continued

Note 12 Intangible assets

Group	Software £'000	Brand Names £'000	Customer Relationships £'000	Goodwill £'000	Trade marks £'000	Total £'000
Cost:						
At June 2020	101	8,715	2,126	2,618	–	13,560
Additions	284	–	–	–	–	284
At June 2021	385	8,715	2,126	2,618	–	13,844
Additions	218	–	–	–	19	237
Acquired through business combinations (Note 22)	–	1,608	2,329	5,736	–	9,673
At June 2022	**603**	**10,323**	**4,455**	**8,354**	**19**	**23,754**
Amortisation:						
At June 2020	16	924	906	–	–	1,846
Provided during the year	40	–	240	–	–	280
Impairment charge during the year	–	1,600	–	–	–	1,600
At June 2021	56	2,524	1,146	–	–	3,726
Provided during the year	145	–	240	–	3	388
Impairment charge during the year	270	500	–	–	–	770
Disposals	–	–	–	–	–	–
At June 2022	**471**	**3,024**	**1,386**	**–**	**3**	**4,884**
Net book value:						
At June 2022	**132**	**7,299**	**3,069**	**8,354**	**16**	**18,870**
At June 2021	329	6,191	980	2,618	–	10,118

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

Impairment testing

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

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

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

Growth assumptions

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

Discount rates

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

Cash flow assumptions

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

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

Sensitivity analysis

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

Note 13 Investments

Company	Investments in Subsidiaries £'000
Cost:	
At June 2021	18,318
Additions (Note 22)	9,087
At June 2022	**27,405**
Provision for impairment:	
At June 2021	(6,234)
At June 2022	**(6,234)**
Net book value:	
At June 2022	**21,171**
At June 2021	12,084

Investment In Subsidiaries	Company £'000	Group £'000
Brand Architekts	12,084	–
InnovaDerma	9,087	–
	21,171	**–**

Notes to the Financial Statements continued

Note 13 Investments continued

The Company has the following investments:

Name of Company	Country of Registration	Nature of Business	Percentage of voting rights held 2022	Percentage of voting rights held 2021
The Brand Architekts Limited	England	Trading	**100**	100
MR. Haircare Limited – 51%	England	Trading	**51**	51
InnovaDerma Limited	England	Intermediate holding company	**100**	–
InnovaDerma UK Limited**	England	Trading	**100**	–
SkinnyTan UK Limited**	England	Trading	**100**	–
Ergon Medical Limited*	England	Trading	**45**	–
InnovaDerma AUS & NZ Pty Ltd**	Australia	Trading	**100**	–
Skinny Tan Pty**	Australia	Trading	**100**	–
Innova Science Pty Ltd ***	Australia	Trading	**45**	–
Bach Brands Pty Ltd **	Australia	Dormant	**100**	–
InnovaDerma, Inc**	USA	Trading	**100**	–
Innova Science, Inc**	USA	Trading	**100**	–
InnovaDerma Philippines Inc**	Philippines	Group support service	**100**	–

* Ergon Medical Limited is an associate investment. The investment value has been fully impaired in line with IAS36.

** Held indirectly through the investment in InnovaDerma Limited.

***Held indirectly through the investment in Ergon Medical Limited and impaired.

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	2022 £'000	2021 £'000
Raw materials	**103**	16
Finished goods and goods for resale	**7,272**	2,283
	7,375	2,299

The Group consumed inventories totalling £9.5m during the year (2021: £9.5m).

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

	2022 £'000
Opening balance	**(677)**
Provision included on acquisition balance sheet of InnovaDerma	**(390)**
Utilised/released in the period	**218**
Closing balance	**(849)**

Note 15 Trade and other receivables

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Trade receivables	**4,191**	2,818	**–**	4
Amounts owed by Group undertakings	**–**	–	**1,332**	230
Other receivables	**509**	617	**139**	2
Prepayments	**399**	216	**49**	18
	5,099	3,651	**1,520**	254

The amounts owed by Group undertakings relate to intercompany receivables. The increase on Other Receivables relates to 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	**2022 £'000**	2021 £'000
Opening balance	**32**	43
(Credit)/Charged to profit and loss	**–**	(11)
Closing balance	**32**	32

An allowance has been made for estimated irrecoverable amounts of £37,000 (2021: £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 0.8% (2021: 1.1%). The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Ageing of trade receivables:

Group	**2022 £'000**	2021 £'000
Current	**3,157**	2,587
Overdue but less than 90 days	**987**	206
More than 90 days overdue	**47**	25
	4,191	2,818

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	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Trade payables	**3,988**	1,040	**194**	15
Amounts owed to subsidiaries	**–**	–	**3,469**	4,139
Other taxes and social security costs	**114**	64	**–**	–
Accruals	**2,413**	1,492	**233**	319
Other payables	**329**	6	**28**	14
	6,844	2,602	**3,924**	4,487

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

Notes to the Financial Statements continued

Note 17 Financial instruments

At 30 June 2022, there were sums totalling £336,000 (2021: £532,000) 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 £11,347,000 (2021: £19,018,000) 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% (2021: 1%) of the Group's total sales in the year were invoiced in euros and 9% (2021: 6%) in US dollars. These sales are calculated in sterling, but invoiced in euros/US 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 £15,000 decrease in reported profits and equity, while a 5% strengthening of sterling would result in a £10,000 increase in profits and equity.

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 2022			
	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	**6,844**	–	–	–
	6,844	–	–	–

	30 June 2022			
	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	**3,924**	–	–	–
	3,924	–	–	–

Group	30 June 2021 Current Within 6 months £'000	Current 6 -12 months £'000	Non-current 1 - 5 years £'000	Non-current Over 5 years £'000
Financial liabilities at amortised cost through profit or loss	2,602	–	–	–
	2,602	–	–	–

Company	30 June 2021 Current Within 6 months £'000	Current 6 -12 months £'000	Non-current 1 - 5 years £'000	Non-current Over 5 years £'000
Financial liabilities at amortised cost through profit or loss	4,487	–	–	–
	4,487	–	–	–

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 **2022 £'000**	Group 2021 £'000	Company **2022 £'000**	Company 2021 £'000
Loans and receivables	**16,446**	22,669	**11,286**	16,935
	16,446	22,669	**11,286**	16,935

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

	Group **2022 £'000**	Group 2021 £'000	Company **2022 £'000**	Company 2021 £'000
Current assets:				
Trade receivables	**4,191**	2,818	**–**	4
Other receivables and prepayments	**908**	833	**1,252**	20
Intercompany receivables	**–**	–	**232**	230
Cash and cash equivalents	**11,347**	19,018	**9,802**	16,681
	16,446	22,669	**11,286**	16,935

Notes to the Financial Statements continued

Note 17 Financial instruments continued

Financial liabilities

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

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Current liabilities:				
Trade payables	**3,988**	1,040	**194**	15
Intercompany payables	**–**	–	**3,469**	4,139
Accruals	**2,413**	1,492	**233**	319
Other payables	**443**	70	**28**	14
	6,844	2,602	**3,924**	4,487

Note 18 Deferred tax

The movement in deferred tax provisions is analysed as follows:

Group	£'000
Deferred taxation	
At June 2020 net asset	(1,361)
Recognised in profit or loss (including adjustments to the rate at which deferred tax is provided)	321
Recognised in other comprehensive income (including adjustments to the rate at which deferred tax is provided)	(90)
At June 2021 (net asset)	(1,130)
Recognised in profit or loss	130
Recognised in other comprehensive income	1,714
Acquired on business combinations (Note 22)	984
At June 2022 net liability	**1,698**

	2022 £'000	2021 £'000
Deferred tax is represented by:		
Differences between book value and tax written down value	**2,428**	1,475
Temporary difference on post retirement benefit obligations	**(730)**	(2,605)
Net (liability)/asset	**(1,698)**	1,130
Recognised as:		
Deferred tax assets	**(730)**	(2,605)
Deferred tax liabilities	**2,428**	1,475
Net liability/(asset)	**1,698**	(1,130)

Company	
Deferred taxation	
At June 2020 (net asset)	(2,515)
Recognised in profit or loss	–
Recognised in other comprehensive income (including adjustments to the rate at which deferred tax is provided)	(90)
At June 2021 (net asset)	(2,605)
Recognised in profit or loss	161
Recognised in other comprehensive income	1,714
At June 2022 (net asset)	**(730)**

	2022 £'000	2021 £'000
Deferred tax is represented by:		
Temporary difference on post retirement benefit obligations	**(730)**	(2,605)
	(730)	(2,605)
Recognised as:		
Deferred tax assets	**(730)**	(2,605)
	(730)	(2,605)

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

Deferred tax has been provided for based on a tax rate of 25% (2021: 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 £8.2m (2021: £4.9m for Group and Company) for which no deferred tax asset has been recognised.

Note 19 Share capital and reserves

	2022 £'000	2021 £'000
Equity Ordinary Share capital		
Authorised share capital 33,681,004 (2021: 25,800,000) shares of 5p each	**1,684**	1,290
Allotted, called-up and fully paid Ordinary Shares at 30 June 2022 and 30 June 2021	**1,397**	862

Shares in issue
On 1 June 2022, 10,712,478 new shares were issued following the acquisition InnovaDerma increasing the number of Ordinary Shares in issue to 27,943,180 (2021: 17,230,702).

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.

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

Notes to the Financial Statements continued

Note 20 Notes to Cash Flow Statement

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

(a) Analysis of net cash:

	Closing 2021 £'000	Acquired in business combinations	Cash flow £'000	Closing 2022 £'000
Cash at bank and in hand	19,018	1,510	(9,181)	**11,347**
Borrowings due within one year	–	(1,208)	1,208	**–**
	19,018	302	(7,973)	**11,347**

Company	2022 £'000	2021 £'000
Decrease in cash and cash equivalents	**(6,879)**	(3,818)
Net cash outflow from in borrowings	**–**	2,095
Change in net cash	**(6,879)**	(1,723)
Opening net cash	**16,681**	18,404
Closing net cash	**9,802**	16,681

(b) Analysis of net cash:

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

Note 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 £96,000 (2021: £69,000). 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.

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.

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

	2022 £000's	2021 £000's
Deficit recovery payments	**1,318**	318
Plan administrative expenses	**118**	155
Pension Protection Fund premium	**112**	165
Total	**1,548**	638

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

	2022 £000's	2021 £000's
In Operating profit:		
Plan administrative expenses	**118**	155
Pension Protection Fund premium	**112**	165
	230	320
In Finance costs:		
Unwinding of notional discount factor	**196**	196
Total	**426**	516

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 2023 are expected to be of a similar order of magnitude to payments in 2022.

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 2022 are:

	2022 £'000s	2021 £'000s
Decrease in pension and other benefit obligations	**6,857**	2,696
(Decrease)/increase in related deferred tax asset	**(1,714)**	90
Increase in equity	**5,143**	2,786

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 2021. This has resulted in higher discount rates being adopted for accounting purposes compared to last year. This has decreased the fair value of the plan liabilities as measured under IAS 19, which combined with an improvement in the fair value of the scheme's assets, has translated into a decreased liability under the IAS 19 methodology. For accounting purposes at 30 June 2022, the Group recognised under IAS 19, a net liability of £2.4m (2021: £10.4m).

Notes to the Financial Statements continued

Note 21 Post Retirement Benefits continued

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

	2022	2021
Discount rate	**3.85%**	2.00%
Inflation assumption (RPI)	**3.10%**	3.10%
Inflation assumption (CPI)	**2.75%**	2.75%
Deferred revaluation for benefits in excess of GMP		
Deferred members	**2.85%**	2.75%
Rate of increase in pensions in payment:		
CPI, max 3%	**2.20%**	2.18%
RPI, max 5%	**3.00%**	2.99%
RPI, max 2.5%	**2.05%**	2.07%
Mortality assumptions:		
Life expectancy of male aged 65 now	**21.0**	23.4
Life expectancy of female aged 65 now	**23.4**	24.9
Life expectancy of male aged 65 in 20 years	**22.3**	21.0
Life expectancy of female aged 65 in 20 years	**24.8**	22.4

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:

	2022 Market Value £'000	2021 Market Value £'000
Equities	**9,424**	9,937
Property	**2,115**	1,755
Index Linked Gilts	**1,843**	2,496
Corporate Bonds	**1,987**	2,156
Diversified Growth Funds	**6,898**	7,639
LDI funds	**1,198**	1,770
Other	**243**	382
Fair value of plan assets	**23,708**	26,135

The actual return on plan assets was a decrease of £3,099,000 (2021: increase £2,624,000).

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

	2022 £'000	2021 £'000
Present value of funded obligations	**(26,147)**	(36,553)
Fair value of plan assets	**23,708**	26,135
(Deficit)	**(2,439)**	(10,418)
Net liability recognised in the Statement of Financial Position	**(2,439)**	(10,418)

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

	2022 £'000	2021 £'000
Benefit obligation at beginning of year	**(36,553)**	(37,324)
Movement in the year:		
Notional finance cost	**(725)**	(553)
Actuarial gains/(losses) – financial	**10,619**	(219)
Actuarial gains/(losses) – demographic	**48**	–
Actuarial gains/(losses) – experience	**(182)**	648
Net benefits paid out	**646**	895
Benefit obligation at end of year	**(26,147)**	(36,553)

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

	2022 £'000	2021 £'000
Fair value of plan assets at beginning of year	**26,135**	24,087
Movement in the year:		
Notional interest on plan assets	**529**	357
Return on assets, excluding interest income	**(3,628)**	2,268
Contributions – employer	**1,318**	318
Benefits paid out	**(646)**	(895)
Fair value of plan assets at end of year	**23,708**	26,135

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

	2022 £'000	2021 £'000
Net re-measurement – financial	**10,619**	(219)
Net re-measurement – demographic	**48**	–
Net re-measurement – experience	**(182)**	648
Return on assets, excluding interest income	**(3,628)**	2,268
	6,857	2,697
Deferred taxation	**(1,714)**	90
Total re-measurement of the net defined benefit liability to be shown in OCI	**5,143**	2,787

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

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

Notes to the Financial Statements continued

Note 21 Post Retirement Benefits continued

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 £15,100,000.
iv. The Plan membership as at 5 April 2020 comprised of 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 2022:

		June 2022 £'000
Discount rate (increase of 0.25% p.a.)	Decrease by	**1,000**
Rate of RPI inflation (increase of 0.25% p.a.)	Increase by	**700**
Mortality (1.5% long term rate, rather than 1.25%)	Increase by	**200**

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 Acquisition of InnovaDerma PLC

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

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

Fair value adjustments

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

Impact of acquisition

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

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

Note 23 Contingent liabilities

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

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

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

Notes to the Financial Statements continued

Note 24 Related parties

Compensation of key management personnel (including directors):

	2022 £'000	2021 £'000
Short term employee benefits	**479**	629
Post-employment benefits	**30**	29
	509	658

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 2022 Ordinary Shares	30 June 2021 Ordinary Shares
B M Hynes	**–**	–
C G How	**196,698**	196,698
R S McDowell	**1,676,490**	899,105
E J Beale	**–**	–
T R J Carter	**32,197**	13,324
Q G A Higham	**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 £29,000 were paid or are payable for the year ended June 2022 (2021: £29,000).

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. Director's Fees of £30,000 were paid or are payable for the year ended June 2022 (2021: £35,000).

At the 2022 year end the Company had receivables due from MR. Haircare Limited of £119,000 (2021: £230,000) being disclosed within 'Trade and other receivables' (see Note 16). In the year to June 2022 MR. Haircare Limited made a profit after tax of £173,000 (2021: £109,000) and this is reported in the Group results.

In the year to June 2022, the Company sold products to the value of £nil (2021: £nil) and also operated an inter-company current account with Brand Architekts Limited, a wholly owned subsidiary. At the 2022 year end the Company had payables due to Brand Architekts Limited of £3,469,000 (2021: £4,380,000) being disclosed within 'Trade and other payables' (see Note 16). In the year to June 2022 Brand Architekts Limited made a loss after tax of £1,224,000 (2021: £1,258,000 profit after tax) and this is reported in the Group results.

Corporate Directory

Directors

R S McDowell (Non-Executive Chairman)
E J Beale (Non-Executive Director)
C G How (Non-Executive Director)
Q G A Higham
T R J Carter

Secretary

T R J Carter

Registered Office

8 Waldegrave Road
Teddington
TW11 8GT

Stockbrokers

Singer Advisory LLP (N+1 Singer)
One Bartholomew Lane
London
EC2N 2AX

Financial PR

Alma PR
Aldwych House
71 – 91 Aldwych
London WC2B 4HN

Registered Number

01975376

Registrars

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgewater Road
Bristol
BS99 7NH

Auditors

PKF Francis Clark
Centenary House
Peninsula Park
Rydon Lane
Exeter
EX2 7XE

Solicitors

Ashfords LLP
Grenadier Road
Exeter
EX1 3LH

Bankers

HSBC Bank plc
3 Rivergate
Temple Quay
Bristol
BS1 6ER

Website Address

www.brandarchitektsplc.com

Financial Calendar

2022 Annual General Meeting	19 December 2022
Interim results announcement	March 2023
Announcement of 2023 final results	October 2023
2023 Annual General Meeting	December 2023

Designed and produced by emperor
Visit us at emperor.works

www.brandarchitektsplc.com