Brand Architekts Group plc
("Brand Architekts" or the "Group")
Interim results

Brand Architekts Group plc, a market leader in the development and supply of beauty and personal care brands, announces its interim results for the 6-month period ended 31 December 2021

Business highlights:

- Progress and focus on the implementation of the four strategic pillars: brand development; brand reach; ESG; the unexpekted - to achieve the Project 50 goal.
- Continued distribution gains for Super Facialist including Morrisons and Look Fantastic and Dirty Works internationally. After a successful trial period Super Facialist will be launching 14 products into 200+ Tesco stores in June 2022.
- The successful relaunch of Root Perfect resulted in strong distribution gains in 300+ Normal stores (a pan European retail chain) across Europe and Morrisons. Following the renegotiation of retailer exclusive distribution, we expect to see strong distribution gains in H1 2022/23.
- Relaunched seven brands in September & October 2021 (Dr Salts; Root Perfect; Argan +; SenSpa; Kind Natured; Happy Naturals; Beautopia). The benefits of the relaunch (new designs, formulations and environmentally friendly packaging) will be seen in H2 and beyond.
- The pandemic and broader macro economic & supply chain headwinds, resulted in a temporary margin squeeze and a delay in several of the brand relaunches.
- The launch of our own marketplace www.theunexpektedstore.com at the end of September 2021, thereby moving away from the complexity and inefficiency of eight silo DTC sites.

Financial highlights:

- Revenues for the period of £7.4m, a decline of 19% on the prior year (£9.0m) as a result of delays to brand relaunches landing in store and planned product range rationalisation.
- Underlying Gross Profit Margin[1] of 32.5% (H1 2021: 36.3%), impacted primarily by increased freight charges on christmas gift product range sourced from China.
- Loss before tax of £1.1m (H1 2021: profit before tax of £0.4m), absorbing additional freight charges and also increased marketing spend for theunexpektedstore.com marketplace launch.
- Net cash position as at the period end was £17.3m, reflecting an additional £1.0m contribution to the Group's defined benefit pension scheme and planned capex investment in the new DTC marketplace.

	H1 2022	**H1 2021**
Revenue (Note 2 of financial statements)	£7.4m	£9.0m
Underlying operation (loss)/profit[1]	£(0.8)m	£0.5m
(Loss)/profit before taxation	£(1.1)m	£0.4m
Basic (loss)/earnings per share (Note 4 of financial statements)	(7.7)p	2.3p
Net cash	£17.3m	£19.0m

[1] Underlying gross profit is calculated before exceptional items

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

Quentin Higham, Chief Executive, commented:

"Throughout the period we have focused on implementing our four strategic pillars, which will ultimately enable the Group to reach its Project 50 goal. Our plans to relaunch seven of our brands were impacted by retail headwinds created by the COVID pandemic, which resulted in three key retailers delaying the brand relaunches by three months. In addition, cost price increases throughout the supply chain, including freight, raw materials, componentry and energy impacted our short term performance.

We are confident that effectively implementing our brand reach and brand development strategies will drive growth in the future. We are pleased with the launch of our marketplace theunexpektedstore.com, which enables us to offer consumers a fully omnichannel solution. In the *second half of the year, we will look to accelerate our digital first strategy and build out further distribution gains, as we seek to add scale to our business. We have also been working hard to offset many of the price increases though the supply chain to normalise our margins. Whilst challenges remain in the markets in which we operate we remain confident in our strategy and the Group's ability to achieve our aims.*

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CEO's Review

The trading environment throughout the last six months has continued to be challenging, with the impact of COVID and the well publicised supply chain issues effecting retailers' buying patterns, freight costs and therefore margin. We have focused on implementing our four strategic pillars, so that we can position ourselves to take advantage of future opportunities. Despite these headwinds, I am pleased with the operational progress that has been made in the first half of the year. We will be focusing on securing omnichannel distribution gains and implementing a digital mindset, so that we can ultimately deliver our Project 50 goal.

Key achievements include:

- Relaunched seven brands in September & October 2021 (Dr Salts; Root Perfect; Argan +; SenSpa; Kind Natured; Happy Naturals; Beautopia). The benefits of the relaunch (new designs, formulations and environmentally friendly packaging) will be seen in H2 and beyond.
- The successful relaunch of Root Perfect resulted in strong distribution gains in 300+ Normal stores across Europe and Morrisons.
- Continued distribution gains for Super Facialist (Morrisons; Look Fantastic) and Dirty Works Internationally. After a successful trial period Super Facialist will be launching 14 products into 200+ Tesco stores in June 2022.
- Launched our own marketplace www.theunexpektedstore.com at the end of September 2021.

Performance review

Net sales for the period were £7.4m, a decrease of 19% on the prior year (H1FY 2021: £9.0m). This decline was as a result of two factors; firstly key retailers delaying the implementation of our brand relaunches, caused by the COVID pandemic and secondly planned rationalisation of our product ranges by 25% to optimise our productivity. With many of our brands needing to be relaunched and product ranges rationalised to reflect consumer demand and improve productivity, this delay meant that sales for the first three months were affected, as stocks of the previous ranges were run down. The impact of these delays was felt across both the high street and grocer retailers, which remain our dominant revenue generators.

International sales increased, with Root Perfect rolling out to 300+ Normal stores in Europe and Dirty Works launching in Peru. We also increased both our e-commerce (Amazon and Look Fantastic) and international sales but not significantly enough to counter the high street impact.

Gross margin in the period was significantly impacted and declined to 32.5% versus 36.3% in the prior year period (on an adjusted basis). 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. As we enter the second half and as we approach Christmas 2022 planning, we plan to offset the majority of these costs.

The Company experienced a first half loss before tax of £1.1m (H1FY 2021: profit of £0.4m).

Net cash decreased by £1.7m, as a result of a £1.0 million contribution to the defined benefit pension scheme and the factors detailed above. The Company still enjoys a very strong net cash position of £17.3m (H1 2021: £19.0m) which positions it well for future growth.

Progress against the Company's four strategic pillars are outlined below:

1. Brand Development

Since 2020/21 we have rationalised the number of brands within the portfolio from 22 to 13 and halved our number of products. We have completed the relaunch of Dr Salts, Root Perfect, Argan +, Happy Naturals, Kind Natured, Senspa, Beautopia, giving them a contemporary look and feel which will help them gain traction with their target audiences and grow market share.

Data led insights are vital components of our new product development program and we will be looking to relaunch the balance of our portfolio in 2023. On the back of key brand Super Facialist we will be launching a new sub brand called Super Facialist Clear Skin, targeting teenagers into 220 Superdrug stores in September 2022. This is an exciting brand development initiative and will enable younger consumers to enter into the brand, thereby increasing the brand's lifetime value, whilst at the same time enabling the brand to engage with an increasingly important demographic.

The transition towards becoming a digital first business is integral to our future aspirations, and we are making steady progress. Now that many of the brands have been relaunched, we are focussing on creating and developing digital assets which we will be able to use throughout our digital footprint (DTC; e-com and social). This will help build a more engaging profile on our unique marketplace – theunexpektedstore, whilst also attracting consumers on other e-commerce sites such as Amazon and Look Fantastic.

Last year saw the company increase its advertising spend on its star brand, Super Facialist, to help drive distribution gains and take advantage of the inherent brand strength. The results to date have been in line with our ambitions and we have been able to substantially increase its distribution network with the range now available through Boots, Sainsbury's, Waitrose, Morrisons and Tesco as well as online with Amazon, Look Fantastic, Feel Unique and theunexpekted.

Portfolio Management M&A

M&A remains a key tenet of our development strategy and the Board has been working hard on identifying and advancing opportunities that meet our investment criteria. Having invested across all areas of operation efficiency and built our platform, theunexpektedstore, we are confident that adding greater scale will significantly advance our strategic objectives.

2. Brand Reach

We are making good progress in implementing an omnichannel strategy, so that our consumers can buy our products wherever (online and offline) and whenever they want. In tandem with our brand relaunch program, we have worked hard to exit the constrictive exclusive agreements that were in place across most of our brand portfolio. Our focus in the second half of this year will now be on widening distribution. After a successful trial period in Tesco's 34 Beauty stores, Super Facialist will be launching 14 products into 200+ Tesco stores in June 2022 (2 products in 500+ stores; 5 products in 300+ stores and 7 products in 200+ stores). We are aiming to replicate the distribution success of Super Facialist, which until a few years ago had been a retailer exclusive, across other brands within the portfolio, in particular Dirty Works.

International remains a key strategic focus. We are beginning to see a number of markets that had been severely affected by the pandemic begin to open up and we will be looking to capitalise on our strong relationships with those distributors that want to support and grow a portfolio of our brands and also work with international retailers who have a presence in multiple markets. We launched Root Perfect into 300+ stores across Europe and we will be launching Kind Natured Haircare in the same number of stores in June 2022. Dirty Works distribution increased in multiple markets and we launched the brand into Peru in December 2021.

Theunexpektedstore

www.theunexpektedstore.com launched in time for Black Friday & Cyber Monday and now all our brands and products (180+) are featured on the site. We have various initiatives in train that will substantially enhance the site's overall offering &

consumer engagement. We are committed to exceed the expectations of everyday beauty. In the second half of the year, we will improve the content of the site by appointing a beauty editor; we will launch a "Friends of" initiative, whereby we can sell non-competing brands that share our values and complement our existing ranges; and we will upgrade the site with our new library of digital assets. Most importantly we will also be launching theunexpekted community, a forum where we will encourage and empower the community to share their feedback on our products efficacy; how we can improve and answer their requests for help and advice. The community will be built on collaboration and will provide a knowledge base of experience, ideas and views. Our mission is to break the mould of everyday beauty and as such we will engage with the community and respond to their needs by making affordable products that meet their needs. These initiatives resonate with our challenger identity and can help to drive a deeper engagement between consumer and brand. We are also confident that theunexpekted will let us scale new products and future acquisitions more quickly and effectively. Going forward the focus will be on building our CRM database; building awareness and engagement and ensuring that we have a positive return on ad spend (ROAS) .

3. Environmental and Societal Responsibility

We remain committed to our pledge to ensure that all our plastic and packaging is 100% recyclable, reusable or bio-sourced by 2025. This ambition is firmly at the heart of our business and can be seen through our brand relaunch & new product development programmes, whereby all new lines contain a minimum of 30% Post Consumer Recycled (PCR) material; all UK sourced card and outer packaging is Forest Stewardship Council (FSC) certified and all products are recyclable.

4. Theunexpekted

Over the next few years, we expect theunexpekted to become our culture and way of life, a mantra that we live by as a company. Incorporating our corporate values, we will aspire to become an Unexpekted beauty company. Our goal is to challenge the expectations of ourselves and the market we exist in, unconstrained by conventional thinking or ways of working. We want to innovate and disrupt the beauty industry by giving a voice to our community. Our focus to deliver this will be on the quality and performance of the product, our editorial content and community engagement and how we respond and react to user generated content and recommendations. If the business lives by theunexpekted mantra, we should be in a position for our brands to flourish and challenge.

Outlook

There have been a number of challenging headwinds in H1, firstly with COVID, then with a wide range of supply chain issues, while we expect cost price pressures to persist particularly with regards to energy prices following recent events in Ukraine. Despite this, we are starting to see progress on a number of fronts. We have a rationalised our portfolio of brands and we have exited the exclusive agreements that saw us tied to individual distribution channels. For the remainder of this year and beyond, we will focus strongly on building distribution gains and take advantage of the hard work done on relaunching many of our brands. This will be combined with creating much stronger brand assets, which will help improve engagement across all channels. We will be advancing our digital first focus and building brand loyalty through the unexpekted community. We also believe that the hard work of the last eighteen months, will enable us to add scale as required and that we are a stronger business as we enter the second half and remain confident in our strategy and the Groups' ability to achieve our aims.

Group Statement of Comprehensive Income

	Notes	Period ended 31 Dec 2021 (unaudited) £'000	Period ended 31 Dec 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Revenue	2	**7,354**	9,049	15,875
Cost of sales		**(4,964)**	(5,517)	(9,530)
Gross profit		**2,390**	3,532	6,345
Commercial and administrative costs		**(3,347)**	(2,974)	(6,408)
Operating (loss)/profit before exceptional items		**(957)**	558	(63)
Exceptional items		**-**	-	(1,600)
Operating (loss)/profit		**(957)**	558	(1,663)
Finance income		**1**	2	2
Finance costs	3	**(99)**	(125)	(224)
(Loss)/profit before taxation		**(1,055)**	435	(1,885)
Taxation		**(250)**	(17)	(314)
(Loss)/profit after taxation		**(1,305)**	418	(2,199)
Other comprehensive (loss)/income for the period:				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit liability		**122**	(113)	2,786
Other comprehensive (loss)/income for the period		**122**	(113)	2,786
Total comprehensive (loss)/income for the period		**(1,183)**	305	587
(Loss)/profit attributable to:				
Equity shareholders		**(1,334)**	392	(2,253)
Non-controlling interests		**29**	26	54
Total comprehensive (loss)/income attributable to:				
Equity shareholders		**(1,212)**	279	533
Non-controlling interests		**29**	26	54
(Loss)/earnings per share	4			
- basic		**(7.7)p**	2.3p	(13.1)p
- diluted		**(7.7)p**	2.3p	(13.1)p

Group Statement of Financial Position

	Notes	**As at 31 Dec 2021 (unaudited) £'000**	As at 31 Dec 2020 (unaudited) £'000	As at 30 June 2021 (audited) £'000
ASSETS				
Non-current assets				
Property, plant and equipment including right-of-use assets		**68**	130	67
Intangible assets		**10,161**	11,637	10,118
Deferred tax assets		**2,299**	2,526	2,605
Total non-current assets		**12,528**	14,293	12,790
Current assets				
Inventories		**2,655**	2,251	2,299
Trade and other receivables		**5,080**	4,962	3,651
Cash and cash equivalents		**17,284**	19,026	19,018
Current tax receivable		**432**	413	432
Total current assets		**25,451**	26,652	25,400
Total assets		**37,979**	40,945	38,190
LIABILITIES				
Current liabilities				
Trade and other payables		**4,786**	3,059	2,602
Current tax payable		**-**	25	-
Total current liabilities		**4,786**	3,084	2,602
Non-current liabilities				
Post-retirement benefit obligations	6	**9,195**	13,195	10,418
Lease liabilities		**-**	57	-
Deferred tax liabilities		**1,459**	1,154	1,475
Total non-current liabilities		**10,654**	14,406	11,893
Total liabilities		**15,440**	17,490	14,495
Net assets		**22,539**	23,455	23,695
EQUITY				
Share capital		**862**	862	862
Share premium		**11,987**	11,987	11,987
Pension remeasurement reserve		**(7,680)**	(10,701)	(7,802)
Retained earnings		**17,189**	21,183	18,496
Total equity		**22,358**	23,331	23,543
Non-controlling interest		**181**	124	152
Total equity		**22,539**	23,455	23,695

Group Statement of Changes in Equity

Group	Share capital £'000	Share premium £'000	Pension remeasurement reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
Balance as at 30 June 2021	**862**	**11,987**	**(7,802)**	**18,496**	**152**	**23,695**
Non-controlling interest	-	-	-	-	29	29
Share-based payments	-	-	-	27	-	27
Transactions with owners	-	-	-	27	29	56
Loss for the period	-	-	-	(1,334)	-	(1,334)
Other comprehensiveincome:						
Remeasurement of defined benefit liability	-	-	122	-	-	122
Total comprehensive loss for the period	-	-	122	(1,334)	-	(1,212)
Balance as at 31 December 2021	**862**	**11,987**	**(7,680)**	**17,189**	**181**	**22,539**

Group	Share capital £'000	Share premium £'000	Pension remeasurement reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
Balance as at 27 June 2020	**862**	**11,987**	**(10,588)**	**20,711**	**98**	**23,070**
Non-controlling interest	-	-	-	-	26	26
Share-based payments	-	-	-	80	-	80
Transactions with owners	-	-	-	80	26	106
Profit for the period	-	-	-	392	-	392
Other comprehensive income:						
Remeasurement of defined benefit liability	-	-	(113)	-	-	(113)
Total comprehensive income for the period	-	-	(113)	392	-	279
Balance as at 31 December 2020	**862**	**11,987**	**(10,701)**	**21,183**	**124**	**23,455**

Group	Share capital £'000	Share premium £'000	Pension remeasurement reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
Balance as at 27 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	-	-	-	(2,253)	-	(2,253)
Other comprehensive income:						
Remeasurement of defined benefit liability	-	-	2,786	-	-	2,786
Total comprehensive income for the year	-	-	2,786	(2,253)	-	533
Balance as at 30 June 2021	**862**	**11,987**	**(7,802)**	**18,496**	**152**	**23,695**

Group Cash Flow Statement

	Period ended 31 Dec 2021 (unaudited) £'000	Period ended 31 Dec 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Cash flow from operating activities			
(Loss)/profit after taxation	**(1,305)**	418	(2,199)
Depreciation	**13**	28	7
Amortisation	**187**	138	1,880
Tax charge	**250**	17	314
Finance income	**(1)**	(2)	(2)
Finance cost	**99**	125	224
(Increase)/decrease in inventories	**(356)**	1,473	1,425
(Increase)/decrease in trade and other receivables	**(1,429)**	(993)	318
Increase/(decrease) in trade and other payables	**2,185**	(300)	(687)
Share-based payment expense	**27**	80	38
Contributions to defined benefit plan	**(1,159)**	(159)	(318)
Cash (utilised in)/generated from operations	**(1,489)**	825	1,000
Finance expense paid	**(1)**	(123)	(28)
Taxation received	**-**	407	381
Net cash flow from operating activities	**(1,490)**	1,109	1,353
Cash flow from investing activities			
Purchase of property, plant and equipment	**(14)**	(13)	(66)
Purchase of intangibles	**(231)**	(61)	(284)
Net cash flow from investing activities	**(245)**	(74)	(350)
Cash flow from financing activities			
Finance income received	**1**	2	2
Repayment of invoice discounting facility	-	(1,132)	(1,132)
Repayment of loans	**-**	(2,095)	(2,095)
Lease payments	**-**	(24)	-
Net cash flow from financing activities	**1**	(3,249)	(3,225)
Net decrease in cash and cash equivalents	**(1,734)**	(2,214)	(2,222)
Cash and cash equivalents at beginning of period	**19,018**	21,240	21,240
Cash and cash equivalents at end of period	**17,284**	19,026	19,018

Notes to the Accounts

Note 1 Basis of preparation

The Group has prepared its interim results for the six-month period ended 31 December 2021 in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the UK and also in accordance with the recognition and measurement principles of IFRS issued by the International Accounting Standards Board.

The Directors have considered trading and cash flow forecasts prepared for the Group, and based on these, and the confirmed banking facilities, 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 approval of the Interim Report. On this basis, they consider it appropriate to adopt the going concern basis in the preparation of these accounts.

These interim financial statements do not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006 and are unaudited. The unaudited interim financial statements were approved by the Board of Directors on 9 March 2022.

The consolidated financial statements are prepared under the historical cost convention. The accounting policies used in the interim financial statements are consistent with IFRS and those which will be adopted in the preparation of the Group's Annual Report and Financial Statements for the year ended 30 June 2022.

The statutory accounts for the year ended 30 June 2021, which were prepared under IFRS, have been filed with the Registrar of Companies. These statutory accounts carried an unqualified Auditors Report and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

The Group has not changed any of its accounting policies in the 6 months to 31 December 2021.

Note 2 Segmental analysis

The reportable segments of the Group were aggregated as follows:

- Brands – we leverage our skilled resources to develop and market a growing portfolio of Brand Architekts Group owned and managed brands. These include those 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.

- 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 inter-segment items, are presented within "Eliminations and central costs".

IFRS 15 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 IFRS 15 and have 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:

	Period ended 31 December 2021			Period ended 31 December 2020		
	Brands £'000	**Eliminations and central costs £'000**	**Total £'000**	Brands £'000	Eliminations and central costs £'000	Total £'000
UK revenue	**5,845**	**-**	**5,845**	7,791	-	7,791
International revenue	**1,509**	**-**	**1,509**	1,258	-	1,258
Revenue – external	**7,354**	**-**	**7,354**	9,049	-	9,049
Revenue – internal	**-**	**-**	**-**	-	-	-
Total revenue	**7,354**	**-**	**7,354**	9,049	-	9,049
Underlying operating (loss)/profit	**(208)**	**(602)**	**(810)**	1,155	(629)	526
Charge for share-based payments	**(6)**	**(21)**	**(27)**	(14)	(66)	(80)
Amortisation of acquisition-related intangibles	**-**	**(120)**	**(120)**	-	(138)	(138)
Exceptional items included in cost of sales	**-**	**-**	**-**	250		250
Net borrowing costs	**-**	**(98)**	**(98)**	(5)	(118)	(123)
(Loss)/profit before taxation	**(214)**	**(841)**	**(1,055)**	1,386	(951)	435
Tax (charge)/credit	**-**	**(250)**	**(250)**	(25)	8	(17)
(Loss)/profit for the period	**(214)**	**(1,091)**	**(1,305)**	1,361	(943)	418

(b) Other Income Statement segmental information:

The following additional items are included in the measures of underlying profit and loss reported to the CODM and are included within (a) above:

Period ended 31 December 2021	**Brands £'000**	**Eliminations and central costs £'000**	**Total £'000**
Depreciation	13	-	13
Amortisation	-	187	187

Period ended 31 December 2020	**Brands £'000**	**Eliminations and central costs £'000**	**Total £'000**
Depreciation	28	-	28
Amortisation	-	138	138

(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	Period ended 31 Dec 2021 (unaudited)	Period ended 31 Dec 2020 (unaudited)	Year ended 30 June 2021 (audited)
	£'000	£'000	£'000
UK	**5,845**	7,791	13,447
European Union countries	**603**	373	970
Rest of the World	**906**	885	1,458
	7,354	9,049	15,875

In the period ended 31 December 2021, the Group had three customers that exceeded 10% of total revenues, being 16.8%, 13.0% and 10.2% respectively. In the period ended 31 December 2020, the Group had two customers that exceeded 10% of revenues, being 24% and 11.8% respectively.

Note 3 Finance costs

	Period ended 31 Dec 2021 (unaudited) £'000	Period ended 31 Dec 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Bank loans and overdrafts	**1**	27	28
Pension plan notional finance charge	**98**	98	196
	99	125	224

Note 4 Earnings per share

	Period ended 31 Dec 2021 (unaudited)	Period ended 31 Dec 2020 (unaudited)	Year ended 30 June 2021 (audited)
Basic and diluted			
(Loss)/profit attributable to equity shareholders (£'000)	**(1,334)**	392	(2,253)
Basic weighted average number of ordinary shares in issue during the period	**17,230,702**	17,277,146	17,230,702
Diluted number of shares	**17,319,702**	17,366,146	17,319,702
Basic (loss)/earnings per share	**(7.7)p**	2.3p	(13.1)p
Diluted (loss)/earnings per share	**(7.7)p**	2.3p	(13.1)p

Basic earnings/(loss) per share has been calculated by dividing the profit/(loss) for each financial period by the weighted average number of ordinary shares in issue in the period.

Note 5 Notes to Cash Flow Statement

(a) Reconciliation of cash and cash equivalents to movement in net cash:

	Period ended 31 Dec 2021 (unaudited) £'000	Period ended 31 Dec 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Decrease in cash and cash equivalents in the period	**(1,734)**	(2,214)	(2,222)
Net cash outflow from decrease in borrowings	**-**	3,227	3,227
Change in net cash resulting from cash flows	**(1,734)**	1,013	1,005
Net cash at the beginning of the period	**19,018**	18,013	18,013
Net cash at the end of the period	**17,284**	19,026	19,018

(b) Analysis of net cash:

	Closing 30 June 2021 £'000	Cash flow £'000	**Closing 31 Dec 2021 £'000**
Cash at bank and in hand	19,018	(1,734)	**17,284**

Note 6 IAS 19 'Employee Benefits'

Expected future cash flows to and from the Group's defined benefit pension scheme:

The Scheme is closed to new members and to further accruals of benefits. It is subject to the scheme funding requirements outlined in UK legislation. 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 on 5 April 2023.

The deficit reduction payment will be £318,000 per annum for three years to 2024, as well as an additional one-off payment of £1m in 2021, followed by £791,000 per annum for a further 13 years to 2037.

In addition, the Company has agreed to meet the cost of administrative expenses and Pension Protection Fund insurance premiums for the Scheme. Anticipated payments by the Company in respect of plan administrative expenses and the Pension Protection Fund premium in the year ending 30 June 2022 are expected to be of a similar order of magnitude to payments in 2021.

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

	Period ended 31 Dec 2021 £'000	Period ended 31 Dec 2020 £'000	Year ended 30 June 2021 £'000
Deficit recovery payments	**1,159**	159	318
Scheme administrative expenses	**63**	69	155
Pension Protection Fund premium	**112**	101	165
Total	**1,334**	329	638

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

	Period ended 31 Dec 2021 £'000	Period ended 31 Dec 2020 £'000	Year ended 30 June 2021 £'000
In operating profit:			
Plan administrative expenses	**53**	69	155
Pension Protection Fund premium	**63**	101	165
	116	170	320
In finance costs:			
Unwinding of notional discount factor	**98**	98	196
Total	**214**	268	516

IAS 19 Employee benefits:

IAS 19 requires a separate valuation of the Scheme on a different basis to the funding valuation referred to above.

The key assumptions used were:

	At 31 December 2021	At 31 December 2020	At 30 June 2021
Discount rate	**1.95%**	1.40%	2.00%
Inflation assumption (RPI)	**3.30%**	2.85%	3.10%
Inflation assumption (CPI)	**2.90%**	1.95%	2.75%

The amounts recognised in the Group Statement of Financial Position were:

	At 31 December 2021 £'000	At 31 December 2020 £'000	At 30 June 2021 £'000
Present value of funded obligations	**(37,102)**	(38,714)	(36,553)
Fair value of scheme assets	**27,907**	25,519	26,135
Deficit	**(9,195)**	(13,195)	(10,418)

Note 7 Announcement of results

The Interim Report will be sent to shareholders and is available to members of the public at the Company's Registered Office at 8 Waldegrave Road, Teddington, TW11 8GT and on the Company's website.