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

Final results for the year ended 29 June 2019

Business Transformation to Brand only
and
Board Succession

Brand Architekts Group plc, formerly known as Swallowfield PLC, announces its final results for the 52 weeks ended 29 June 2019.

Results

				2019	**2018**
	Brands	**MFG***	**Central**	**Total**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Revenue	19.7	62.0	(4.4)	**77.3**	**73.9**
Underlying Operating Profit	**3.6**	**2.5**	**(1.7)**	**4.4**	**5.5**
Adjusted PBT				**5.1**	**5.0**
Reported PBT				**4.1**	**4.5**
EPS – Adjusted				**25.3**	**23.2**
EPS – basic				**20.7**	**20.9**
Dividend per share – paid and proposed				**6.5p**	**6.2p**
Net Debt				**7.2**	**11.8**
***Disposal on 23 Aug 2019 for**		**35.0**			

Brendan Hynes, Executive Chairman commented:
"On the 23 August 2019 the Group disposed of its Manufacturing business for £35m to KDC/One Inc. This transformational deal is another significant milestone for our strategy of accelerating the growth of our Owned Brands business and simplifying the Group. We will now focus all our time, resources and investment growing and developing the higher margin part of our business.

The value achieved on disposal represents a very good return for shareholders, it also strengthens our balance sheet, moving the Group from a net debt position of £11.8m last financial year end, to a significant positive cash position on completion of £24.0m.

The new Group has been renamed the Brand Architekts Group Plc and has an outstanding, stand-alone operational team with an excellent track record and strong relationships with our retail customers. The business is now well capitalised and we will use some of the proceeds from the disposal to grow the business organically and through selective acquisitions that will deliver further profitability and scale.

We are now well positioned to continue to build a more profitable and sustainable business, which will generate further shareholder value."

Business review statement

Over the last four years we have developed, both organically and through acquisition, a growing portfolio of brands that are owned and managed by the Group and which we control from formulation development through to distribution.

Following the disposal of the Manufacturing business, we now have complete focus on the Owned Brands business as well as the necessary financial resources to invest and grow the business further.

Financial highlights

- Group Revenues for the 52 weeks increased by 8% to £77.3m (2018: £71.6m on a comparable 52 week basis).
- Owned Brands represented 25% of revenues and 59% of underlying operational profits.
- Owned Brand revenues decreased by 6.7%, impacted by lower consumer confidence and by challenges faced by retailers in a restricted marketplace.
- Adjusted profit before taxation* increased by 1% to £5.1m (2018: £5.0m).
- Underlying operating profit** decreased by 19% to £4.4m (2018: £5.5m).
- Adjusted EPS increased by 9% year on year to 25.3 pence (2018: 23.2 pence).
- Proposed final dividend of 4.35p per share (2018: 4.2p), in addition to the interim dividend of 2.15p already paid, to give a full year dividend of 6.5p (2018: 6.2p), an increase of 5%.
- Net Debt as at 29 June 2019 decreased to £7.2m (2018: £11.8m).

*calculated as per page 6

**as per note 6

Operational highlights

- Creation of a solely Owned Brands business following the disposal of the Contract Manufacturing Business for £35 million, a premium to the market capitalisation of the Group as at 15 July 2019. Net proceeds receivable by the Company are £33.75 million.
- Ongoing business renamed Brand Architekts Group plc on 29 August 2019 to reflect sole focus on Owned Brands.
- New product development ("NPD") continues with 80 new products launched in the year.
- Net cash as at 31 August of £24m.
- Net Assets as at 31 August of £38m.

Dividend

Given our strong cash position and confidence in the business it is the Board's intention to propose a final dividend of 4.35 pence. Together with the interim dividend already paid of 2.15 pence, this represents a total dividend for the year of 6.5 pence, an improvement of 5% over the prior year (2018: 6.2p).

It remains the Directors' intention to align future dividend payments to the underlying earnings and cash flow of the stand-alone business, taking into account the investment and operational requirements of the business.

Board succession

Following the successful completion of the deal to dispose of the Manufacturing business on 23 August, which represents a fundamental change to the scale of business for the Group, the Board has mutually agreed with Tim that he will step down from the PLC Board and as Chief Executive and leave the company on 30 September 2019.

Brendan Hynes will take on an executive Chairman role until a permanent replacement is appointed. The successful brand management team remains in place and unchanged and will continue to be supported until the end of the calendar year by Mathew Gazzard, formerly Group Finance Director and Jane Fletcher, formerly Group Sales and Marketing Director, under the transitional services agreement. In addition, we will be putting in place an interim CFO to work on the transition and to support the stand-alone Brands business, until a full CFO is appointed.

The Board wishes to thank Tim for his contribution to the Group during his time with us and wish him all the very best for the future.

Outlook

We expect the economic and consumer uncertainty seen in the UK in the second half year to June 2019 to continue into our new financial year. The slow-down in momentum in our Owned Brands business will be addressed by enabling management to focus on this business following the disposal, innovative NPD and a stronger focus on distribution in both the UK and internationally.

Given the strength of our balance sheet, we also remain alert to further acquisition opportunities which offer the potential to build scale and deliver incremental shareholder value

Following the successful disposal of the Manufacturing business, we are confident that our new strategic focus will enable us to deliver the best outcome for all our stakeholders.

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Strategic Report

Fundamental transformation – focus on brands

Over the last four years our stated strategy has been to develop, both organically and though acquisition, a portfolio of brands that are owned and managed by the Group and which we control from formulation development through to distribution.

As at 29 June 2019, Owned Brands represented 59% of group underlying operation profits.

Following a strategic review process, the Board concluded that the Manufacturing business would be better served as part of a business with bigger scale and that £35 million sale proceeds represented excellent value for shareholders. With the disposal of the Manufacturing business in August 2019, we have accelerated our strategic re-alignment and will now be 100% focused on the brands that we own and control. The disposal has also strengthened the balance sheet, eliminated group debt and leaves the group in a significantly cash positive position.

The Board believe that we are now better positioned to drive further value by focusing solely on our Owned Brands business with its higher margins, lower capital investment requirements and superior financial returns.

New name – stronger focus

The new group is now called Brand Architekts Group plc, which more appropriately reflects the future focus of the group

Strategic priorities

The challenging market conditions, particularly in the UK require us to have a clear strategic focus. The strategic priorities for the Group are:

- Build Scale: Accelerate sales and profit growth organically and via accretive acquisitions
- New Product Development (NPD): Continue to execute at pace
- International expansion: Develop new customers in new geographies
- On-line expansion: Accelerate E-commerce and digital presence
- Build organisation capability: Continue to invest in people and skills

Progress against our strategic priorities

- New Product Development (NPD)

We are pleased that the pace of NPD continues with over 80 new lines launched over the 12 month period across 11 brands.

We continue to evaluate and develop the brand portfolio to ensure that we are focusing the appropriate level of resource and support to drive maximum performance and growth. Within the portfolio we have defined a number of 'Drive' brands where we are specifically focused on extending distribution, new product development, international growth and increasing support through both instore and digital promotion.

- International expansion

Our focus continues on developing sales in new international markets and building relationships with appropriate distribution and retail partners for our brand portfolio. Bi-lingual pack formats have been developed for specific brands, allowing us to maximise opportunity whilst carefully managing inventory levels. The launch of the Dirty Works brand into France and Belgium has been followed by new distribution in the Middle East. Our range of therapeutic bath solutions, Dr Salts, has launched successfully in South Africa; the Real Shaving Company has launched in New Zealand.

- On-line expansion

We continue to invest in the area of developing in-house expertise to grow the reach of Owned Brands business within multi channels to market. Strong relationships with key e-tailers have been established enhancing the breadth of distribution and partners for our brand portfolio.

- Build organisation capability

We will continue to build and develop the stand alone capability of our Owned Brands business by investing in further Marketing, Digital, Technical and Supply chain skills.

Financial review

Group statutory revenue at £77.3m from continuing and discontinued operations was up 5% against prior year. The Owned Brands business endured a difficult year against strong comparatives, declining by 6.7%, adversely impacted by the decline in consumer confidence and retailer pressures. In the Group's Manufacturing business, revenues increased by 13% against prior year comparators, driven by increased volumes through the launch of three new contract wins.

On a comparable 52-week basis, revenue increased by 8% to £77.3m (2018: £71.6m). The weakness of Sterling against the US dollar has increased sales revenue by £0.5m. Revenue increase on a constant currency basis would have been 4.0%.

The adverse currency impact on revenue has been offset by an equivalent favourable currency impact on cost of goods, reflecting the Group's broadly natural hedge profile.

The pressure experienced on the margin accretive Owned Brands revenues, whilst slightly offset by higher volume sales in the Manufacturing business, has resulted in a reduction in the underlying operating profit at £4.4m (2018: £5.5m).

Underlying operating profit is shown before charges for share-based payments, with a charge made of £0.1m (2018: £0.3m). Share options are put in place in order to incentivise the Group's wider management team (including the Executive Directors) and to ensure that their interests are aligned with shareholders.

The net effect is that the Group made an adjusted operating profit of £4.3m (2018: £5.2m). Adjusted profit before tax increased to £5.1m (2018: £5.0m).

Total exceptional costs of £0.7m were incurred by the Group in the current period. This is in part due to the GMP equalisation charge on the Group's DB Pension Scheme of £0.3m netted off by a £0.2m release of previously provided for contingent consideration (included in continuing operations) and £0.7m of "one off" costs relating to the Group's disposal of the Manufacturing business and wider restructure (included in discontinued operations). In 2018 there was an exceptional charge of £0.28m mainly relating to the writing down of the investment in Sterling Shave Club.

The overall effective rate of the new Group taxation for the period was 11.1% (2018: 19%) of pre-tax profits. The effective tax rate fell due to Group investment income.

This results in adjusted earnings per share of 25.3p (2018: 23.2p).

A reconciliation of underlying operating profit to statutory profit before taxation is shown below:

	2019 Total	**2019 Continuing operations**	**2019 Discontinued operations**	2018 Total	2018 Continuing operations	2018 Discontinued operations
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Underlying profit from operations (see note 6)	**4,428**	**2,355**	**2,073**	5,470	3,319	2,151
Charge for share-based payments	**(115)**	**(115)**	**-**	(297)	(297)	-
Adjusted operating profit	**4,313**	**2,240**	**2,073**	5,173	3,022	2,151
Net borrowing costs	**757**	**(144)**	**901**	(173)	(161)	(12)
Adjusted profit before taxation	**5,070**	**2,096**	**2,974**	5,000	2,861	2,139
Amortisation of acquisition-related intangibles	**(260)**	**(260)**	**-**	(197)	(197)	-
Exceptional (costs)	**(717)**	**(48)**	**(669)**	(279)	(279)	
Profit before taxation	**4,093**	**1,788**	**2,305**	4,524	2,385	2,139

The Group's strategic investment shareholding in Shanghai Colour Cosmetics Technology Company Limited (SCCTC) has reduced from 19% to 13.3% within the period. However, the carrying value remains unchanged during the period, based on a fair value of SCCTC's commercially, externally assessed valuation of the business. The initial cost of this investment was £0.14m and this is now valued at £1.39m. This improved valuation reflects a strong trading performance, supplying customers in Europe and the USA. Income totalling £1.15m was received in the year (2018: £0.19m). This investment was part of the Manufacturing business on disposal and is classified as held for sale at the period end.

Net debt and cash flow

Net debt decreased significantly to £7.2m (2018: £11.8m). A re-balancing of the Group's working capital from the prior year has helped 'normalise' the net debt closing balance. The Group maintains a broadly natural hedge position on the Euro and US Dollar, and manages timing differences through a multi-currency invoice finance facility. At the reporting date, the Group was maintaining a hedged position by holding Euro and US Dollar cash balances, whilst drawing on its GBP facility. Note 11 provides an analysis of net debt.

The components of working capital highlight the unwinding of the impact of the introduction of the three new major account wins in the Manufacturing business which were being implemented at the end of the prior year. This aspect combined with a more linear shape to trade debtors have positively impacted the total working capital invested at year end.

Financing costs of £0.4m (2018: £0.36m) comprised interest expense of £0.26m (2018: £0.21m) plus a pension plan notional finance charge of £0.13m (2018: charge £0.15m). Finance income is the receipt of £1.15m (2018: £0.19m) income from our investment holding in SCCTC.

Capital expenditure was £1.1m which was behind the level of depreciation. We have continued to make a number of investments to improve line efficiencies and support incremental new customer contracts.

Defined benefit pension plan

The defined benefit pension plan underwent its last triennial valuation on 5 April 2017. The deficit on a statutory funding basis was £2.6m and the Group entered into a revised deficit recovery plan and schedule of contributions in July 2018. Under this there is a commitment to make deficit reduction payments of £318k per annum (previously £108k per annum) for seven years and £210k for a further three years, and to pay certain administration costs and the PPF levy for the life of the plan. This commitment will be re-assessed once the results of the next triennial valuation at 5 April 2020 are available.

Accounting Standards require the discount rate used for valuations under IAS19 '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 lower than they were at 30 June 2018. This has resulted in lower discount rates being adopted for accounting purposes compared to last year. In addition, inflation rates are higher than last year. The combination of these two factors have materially increased the fair value of the plan liabilities as measured under IAS 19, which combined with the anticipated investment return performance, has translated into an increased liability under the IAS19 methodology. For accounting purposes at 29 June 2019, the Group recognised under IAS19 'employee benefits', a net liability of £9.4m (2018: £4.5m).

Dividends

The Board is pleased to announce that it will be proposing a final dividend of 4.35 pence. Together with the interim dividend already paid of 2.15 pence this represents a total dividend for the year of 6.5 pence, an improvement of 5% over the prior year (2018: 6.2p). If approved, the final dividend will be paid on 6 December 2019 to shareholders on the register on 15 November 2019. The shares will be marked as ex-dividend on 14 November 2019.

Group Statement of Comprehensive Income

For the 52 weeks ended 29 June 2019 and 53 weeks ended 30 June 2018

	Notes	**2019** **£'000**	2018* £'000
Revenue	6	**19,676**	21,085
Cost of sales		**(12,680)**	(12,705)
Gross profit		**6,996**	8,380
Commercial and administrative costs		**(5,016)**	(5,556)
Operating profit before exceptional items		**1,980**	2,824
Exceptional items	7	**(48)**	(279)
Operating profit		**1,932**	2,545
Finance income		**-**	-
Finance costs		**(144)**	(160)
Profit before taxation	8	**1,788**	2,385
Taxation	9	**(198)**	(453)
Profit for the year		**1,590**	1,932
Profit on Discontinued Operations after taxation	12	**2,050**	1,701
Profit for the year		**3,640**	3,633
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit liability		**(4,011)**	1,403
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(35)**	30
(Loss)/gain on financial assets held at fair value		**(6)**	156
Other comprehensive (loss)/income for the year		**(4,052)**	1,589
Total comprehensive (loss)/income for the year		**(412)**	5,222
Profit attributable to:			
Equity shareholders		**3,539**	3,542
Non-controlling interests		**101**	91
Total comprehensive income attributable to:			
Equity shareholders		**(513)**	5,131
Non-controlling interests		**101**	91
Earnings per share			
- basic	10	**20.7p**	20.9p
- diluted	10	**20.0p**	20.3p
Dividends			
Paid in year (£'000)		**1,088**	933
Paid in year (pence per share)		**6.35p**	5.5p
Proposed (£'000)		**745**	720

Proposed (pence per share)	**4.35p**	4.2p

*2018 comparatives have been restated for discontinued operations – see note 6 for further information.

Group Statement of Financial Position
For the 52 weeks ended 29 June 2019, and 53 weeks ended 30 June 2018

	Notes	**2019** **£'000**	2018 Restated – Note 13 £'000
ASSETS			
Non-current assets			
Property, plant and equipment		**21**	11,438
Intangible assets		**12,817**	13,852
Deferred tax assets		**1,714**	803
Investments		**-**	1,391
Total non-current assets		**14,552**	27,484
Current assets			
Inventories		**5,211**	13,825
Trade and other receivables		**3,475**	19,283
Assets held for resale	12	**22,700**	-
Cash and cash equivalents	11	**381**	934
Current tax receivable		**285**	109
Total current assets		**32,052**	34,151
Total assets		**46,604**	61,635
LIABILITIES			
Current liabilities			
Trade and other payables		**6,628**	23,709
Interest-bearing loans and borrowings		**1,139**	1,127
Current tax payable		**527**	503
Total current liabilities		**8,294**	25,339
Non-current liabilities			
Interest-bearing loans and borrowings		**2,091**	3,230
Post-retirement benefit obligations		**9,417**	4,489
Deferred tax liabilities		**1,061**	1,555
Total non-current liabilities		**12,569**	9,274
Total liabilities		**20,863**	34,613
Net assets		**25,741**	27,022
EQUITY			
Share capital		**857**	857
Share premium		**11,987**	11,987
Revaluation of investment reserve		**1,241**	1,247
Exchange reserve		**(147)**	(112)
Pension re-measurement reserve		**(6,502)**	(2,491)
Retained earnings		**18,160**	15,455
Equity attributable to holders of the parent		**25,596**	26,943

Non-controlling interest	**145**	79
Total equity	**25,741**	27,022

Group Statement of Changes in Equity
For the 52 weeks ended 29 June 2019 and 53 weeks ended 30 June 2018

Group	Share Capital £'000	Share Premium £'000	Revaluation of investment reserve £'000	Exchange Reserve £'000	Pension re-measurement reserve £'000	Retained Earnings £'000	Non-controlling interest £'000	Total Equity £'000
Balance as at June 2018	**857**	**11,987**	**1,247**	**(112)**	**(2,491)**	**15,455**	**79**	**27,022**
Dividends	-	-	-	-	-	(1,088)	(35)	(1,123)
Non-controlling interest	-	-	-	-	-	-	101	101
Share based payments	-	-	-	-	-	254	-	254
Transactions with owners	-	-	-	-	-	(834)	66	(768)
Profit for the year	-	-	-	-	-	3,539	-	3,539
Other comprehensive income:								
Re-measurement of defined benefit liability	-	-	-	-	(4,011)	-	-	(4,011)
Exchange difference on translating foreign operations	-	-	-	(35)	-	-	-	(35)
Fair value movements for financial assets	-	-	(6)	-	-	-	-	(6)
Total comprehensive income for the year	-	-	(6)	(35)	(4,011)	3,539	-	(513)
Balance as at June 2019	**857**	**11,987**	**1,241**	**(147)**	**(6,502)**	**18,160**	**145**	**25,741**

Group	Share Capital £'000	Share Premium £'000	Revaluation of investment reserve £'000	Exchange Reserve £'000	Pension re-measurement reserve £'000	Retained Earnings £'000	Non-controlling interest £'000	Total Equity £'000
Balance as at June 2017	**844**	**11,744**	**1,091**	**(142)**	**(3,894)**	**12,749**	**18**	**22,410**
Dividends	-	-	-	-	-	(933)	(30)	(963)
Issue of new shares	13	243	-	-	-	-	-	256
Non-controlling interest	-	-	-	-	-	-	91	91
Share based payments	-	-	-	-	-	97	-	97
Transactions with owners	13	243	-	-	-	(836)	61	(519)
Profit for the year	-	-	-	-	-	3,542	-	3,542
Other comprehensive income:								
Re-measurement of defined benefit liability	-	-	-	-	1,403	-	-	1,403
Exchange difference on translating foreign operations	-	-	-	30	-	-	-	30
Fair value movements for financial assets	-	-	156	-	-	-	-	156
Total comprehensive income for the year	-	-	156	30	1,403	3,542	-	5,131
Balance as at June 2018	**857**	**11,987**	**1,247**	**(112)**	**(2,491)**	**15,455**	**79**	**27,022**

Cash Flow Statement
For the 52 weeks ended 29 June 2019 and 53 weeks ended 30 June 2018

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Cash flow from operating activities				
Profit before taxation	**4,093**	4,524	**461**	699
Depreciation	**1,262**	1,283	**1,064**	1,058
Amortisation	**944**	583	**768**	418
Finance income	**(1,146)**	(191)	**(1,182)**	(822)
Finance cost	**389**	364	**382**	363
(Increase) in inventories	**(2,129)**	(2,395)	**(877)**	(1,279)
Decrease /(increase) in trade and other receivables	**1,252**	(2,648)	**(1,693)**	71
Increase in trade and other payables	**3,059**	944	**7,712**	2,563
(Decrease) in share-based payments provision	**(221)**	(1,666)	**(221)**	(1,666)
Contributions to defined benefit plans	**(282)**	(108)	**(282)**	(108)
Cash generated from operations	**7,221**	690	**6,132**	1,297
Finance expense paid	**(263)**	(209)	**(256)**	(208)
Taxation paid	**(593)**	(762)	**(197)**	(247)
Net cash flow from operating activities	**6,365**	(281)	**5,679**	842
Cash flow from investing activities				
Dividend income received	**1,146**	191	**1,182**	822
Purchase of property, plant and equipment	**(1,088)**	(1,631)	**(900)**	(1,486)
Purchase of intangible assets	**(699)**	(3,850)	**(699)**	(3,850)
Purchase of subsidiary	**-**	(1,850)	**-**	(1,850)
Net cash flow from investing activities	**(641)**	(7,140)	**(417)**	(6,364)
Cash flow from financing activities				
Movements in invoice discounting facility	**(4,027)**	2,741	**(3,637)**	1,701
Proceeds from new loan	**-**	3,000	**-**	3,000
Issue of new share capital	**-**	256	**-**	256
Repayment of loans	**(1,127)**	(736)	**(1,127)**	(736)
Finance income received	**-**	-	**-**	-
Dividends paid	**(1,123)**	(963)	**(1,088)**	(933)
Net cash flow from financing activities	**(6,277)**	4,298	**(5,852)**	3,288
Net (decrease) in cash and cash equivalents	**(553)**	(3,123)	**(590)**	(2,234)
Cash and cash equivalents at beginning of year	**934**	4,057	**737**	2,971
Cash and cash equivalents at end of year	**381**	934	**147**	737

1. Statutory Accounts

The financial information does not constitute statutory accounts as defined in section 435 of the Companies Act 2006, but has been extracted from the statutory accounts for the year ended June 2019 on which an unqualified audit report has been issued and which will be delivered to the Registrar following their adoption at the Annual General Meeting.

The statutory accounts for the financial year ended June 2018 have been delivered to the Registrar of Companies with an unqualified audit report and did not contain a statement under section 498 of the Companies Act 2006.

Copies of the 2019 Annual Report and Accounts will be posted to shareholders with the notice of the Annual General Meeting. Further copies may be obtained by contacting the Company Secretary at Brand Architekts Group plc, 8 Waldegrave Rd, Teddington, TW11 8GT. An electronic copy will be available on the Group's web site (www.brandarchitektsplc.com).

2. Basis of preparation

The Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and also in accordance with IFRS issued by the International Accounting Standards Board. 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 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 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.

3. 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.

4. Accounting Policies

The principal accounting policies which apply in preparing the financial statements for the year ended 29 June 2019 are consistent with those disclosed in the Group's audited accounts for the year ended 30 June 2018, other than adopting IFRS9 and IFRS15 for the first time. The transition impact of both of these news standards has not been material to the Group.

5. Discontinued Activities

As a result of the agreed disposal of the manufacturing business (completed post year-end), these operations have been disclosed as discontinued and the related assets classified as held for sale at the period end. See note 12 for further details.

6. Segmental Analysis

The Group is a market leader in the development, formulation, and supply of personal care and beauty products.

The reportable segments of the Group are 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 organically developed Bagsy, MR. and Tru, plus the acquisitions of The Real Shaving Company (in 2015), the portfolio of Brands included in The Brand Architekts acquisition (in 2016) and the Fish brand acquired during this financial year.
- Manufacturing – the contracted development, formulation and production of quality products for many of the world's leading personal care and beauty Brands. This segment has been disposed of post period end as described in Note 12.
- Eliminations and Central Costs. Other Group-wide activities and expenses, including defined benefit pension costs, share-based payment expenses, 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.

a) Principal measures of profit and loss – Income Statement segmental information for 52 weeks ending 29 June 2019 and 53 weeks ending 30 June 2018:

52 weeks ended 30 June 2019	**Brands** £'000	**Manufacturing** £'000	**Eliminations and Central Costs** £'000	**Total** **£'000**	2018 Total £'000
UK revenue	16,381	35,763	-	**52,144**	51,284
International revenue	3,220	21,974	-	**25,194**	22,661
Revenue – External	19,601	57,737	-	**77,338**	73,945
Revenue – Internal	75	4,235	(4,310)	-	-
Total revenue	**19,676**	**61,972**	**(4,310)**	**77,338**	73,945
Discontinued Operation	-	(61,972)	4,310	(57,662)	(52,860)
Total Revenue	**19,676**	**-**	**-**	**19,676**	21,085
Underlying profit from operations*	**3,619**	**2,515**	**(1,706)**	**4,428**	5,470
Charge for share-based payments	-	-	(115)	**(115)**	(297)
Amortisation of acquisition-related intangibles	-	-	(260)	**(260)**	(197)
Exceptional costs	-	(669)	(48)	**(717)**	(279)
Net finance income / (costs)	-	901	(144)	**757**	(173)
Tax charge on discontinued operations	-	(255)	-	**(255)**	(438)
Segment Profit included in Discontinued Operations	-	(2,492)	442	**(2,050)**	(1,701)
Profit before taxation	**3,619**	**-**	**(1,831)**	**1,788**	2,385
Tax charge			(198)	**(198)**	(453)
Profit for the period from continuing activities	**3,619**	**-**	**(2,029)**	**1,590**	1,932

*The underlying profit net of eliminations and central costs are as follows:

	Continuing operations - Brands	Discontinued operations - Manufacturing	Total
	£'000	£'000	£'000
Underlying profit from operations – operating segments	3,619	2,515	6,134
Eliminations and central costs	(1,264)	(442)	(1,706)
Underlying profit from operations	2,355	2,073	4,428

53 weeks ended 30 June 2018	**Brands**	**Manufacturing**	**Eliminations and Central Costs**	**Total**	2017 Total
	£'000	£'000	£'000	**£'000**	£'000
UK revenue	17,086	34,167	-	**51,253**	44,732
International revenue	3,968	18,724	-	**22,692**	29,582
Revenue – External	21,054	52,891	-	**73,945**	74,314
Revenue – Internal	31	1,940	(1,971)	-	-
Total revenue	**21,085**	**54,831**	**(1,971)**	**73,945**	74,314
Discontinued Operation	**-**	**(54,831)**	**1,971**	**52,860**	-
Total Revenue	**21,085**	**-**	**-**	**21,085**	74,314
Underlying profit from operations	**4,806**	**2,539**	**(1,875)**	**5,470**	5,617
Charge for share-based payments	-	-	(297)	**(297)**	(1,755)
Amortisation of acquisition-related intangibles	-	-	(197)	**(197)**	(187)
Exceptional costs	-	-	(279)	**(279)**	(343)
Net borrowing costs	-	(12)	(161)	**(173)**	(217)
Tax charge on discontinued operations	-	(438)	-	**-**	(438)
Segment Profit included in Discontinued Operations	-	(2,089)	388	**(1,701)**	-
Profit before taxation	**4,806**	**-**	**(2,421)**	**2,385**	3,115
Tax charge			(453)	**(453)**	(543)
Profit for the period from continuing activities	**4,806**	**-**	**(2,874)**	**1,932**	2,572

*The underlying profit net of eliminations and central costs are as follows:

	Continuing operations - Brands	Discontinued operations - Manufacturing	Total
	£'000	£'000	£'000
Underlying profit from operations – operating segments	4,806	2,539	6,134
Eliminations and central costs	(1,487)	(388)	(1,875)
Underlying profit from operations	3,319	2,151	5,470

Inter segment revenue earned by Manufacturing from sales to Brands is determined on commercial trading terms as if Brands were a third-party customer.

All defined benefit pension costs and 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

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

52 weeks ended 29 June 2019	**Brands**	**Manufacturing**	**Eliminations and Central Costs**	**Total**
	£'000	£'000	£'000	£'000
Depreciation	13	1,249	-	1,262
Amortisation	-	700	260	960

53 weeks ended 30 June 2018	**Brands**	**Manufacturing**	**Eliminations and Central Costs**	**Total**
	£'000	£'000	£'000	£'000
Depreciation	13	1,270	-	1,283
Amortisation	-	386	197	583

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 - Continuing and discontinued operations	**52 weeks ended 29 June 2019**	53 weeks ended 30 June 2018
	£'000	£'000
UK	**52,144**	51,284
Other European Union countries	**17,482**	16,891
Rest of the World	**7,712**	5,770
	77,338	73,945

Geographical segments – Continuing operations	**52 weeks ended 29 June 2019**	53 weeks ended 30 June 2018
	£'000	£'000
UK	**16,456**	17,021
Other European Union countries	**609**	520
Rest of the World	**2,611**	3,544
	19,676	21,085

In the 52 weeks ended 29 June 2019, the Group had two customers that exceeded 10% of total revenues, being 12% and 11% respectively. In the 53 weeks ended 30 June 2018, the

Group had two customers that exceeded 10% of total revenues, this being 13% and 12% respectively.

7. Exceptional Items

The exceptional item of £0.048m in the current period is due to the GMP equalisation charge on the Group's DB Pension Plan of £0.288m offset by the release (credit) of unrequired earn-out that arose in a prior-year of £0.240m.

8. Profit before taxation

	2019	2018
	£'000	£'000
(a) This is stated after charging/ (crediting)		
Depreciation of property, plant and equipment of purchased assets	**1,262**	1,283
Amortisation of intangible assets	**944**	583
Research and development	**1,039**	972
Foreign exchange gains	**(37)**	(9)
Operating leases:		
Hire of plant and machinery	**125**	80
Rent of buildings	**782**	679
(b) Auditors' remuneration		
Audit services:		
Audit of the Company financial statements – PKF Francis Clark	**35**	-
Audit of the Company financial statements – Grant Thornton UK LLP	**-**	42
Audit of subsidiary undertakings – PKF Francis Clark	**12**	-
Audit of subsidiary undertakings – Grant Thornton UK LLP	**-**	20
Audit related services:		
Interim review – Grant Thornton UK LLP	**-**	9
Taxation compliance services:		
Corporation tax compliance – Grant Thornton UK LLP	**-**	21
Other non-audit services:		
Acquisition advice – Grant Thornton UK LLP	**-**	19
(c) Earnings before interest, taxation, depreciation and amortisation ('EBITDA')*		
Operating profit before exceptional items	**4,053**	4,976
Depreciation of property, plant and equipment	**1,262**	1,283
Amortisation of intangible assets	**701**	386
Amortisation of acquisition-related intangibles	**260**	197
EBITDA before exceptional operating items	**6,276**	6,842
Exceptional operating items	**(717)**	(279)
EBITDA after exceptional operating items	**5,559**	6,563

*Operating profit before exceptional items were derived from continuing activities of £1,980,000 (2018: £2,824,000) and from discontinued activities of £2,073,000 (2018: £2,150,000)

9. Taxation

(a) Analysis of tax charge in the year	2019 £'000	2018 £'000
UK corporation tax:		
- on profit for the year	**528**	**901**
- adjustment in respect of previous years	**(171)**	**-**
-foreign tax	**77**	**(11)**
Total current tax charge	**434**	**890**
Deferred tax:		
-current year (credit)	**(28)**	**(60)**
-prior year charge / (credit)	**47**	**61**
Total deferred tax	**19**	**1**
Tax charge	**453**	**891**

Total tax charge of £453,000 (2018: £891,000) comprised tax on ongoing operations of £198,000 (2018: £453,000) plus tax on discontinued operations of £255,000 (2018: £438,000).

(b) Factors affecting total tax charge for the year
The tax assessed on the profit before taxation for the year is lower (2018: higher) than the standard rate of UK corporation tax of 19.00% (2018: 19.00%). The differences are reconciled below:

	2019 £'000	2018 £'000
Profit before taxation	**4,093**	4,524
Tax at the applicable rate of 19.00% (2018: 19.00%)	**778**	860
Effect of:		
Adjustment in respect of previous years	**(124)**	(60)
Adjustment to deferred tax	**(7)**	-
Differences between UK and foreign tax rates	**10**	-
Permanent differences and other	**(168)**	91
R&D tax credit	**(36)**	-
Actual tax charge	**453**	891

10. Earnings per share

	2019	2018
Basic and Diluted		
Profit for the year attributable to equity shareholders(£'000)	**3,539**	3,542
Profit for the year attributable to equity shareholder from continuing operations(£'000)	**1,489**	1,841
Basic weighted average number of ordinary shares in issue during the year	**17,135,542**	16,934,762
Diluted number of shares	**17,659,183**	17,454,505
Basic earnings per share	**20.7p**	20.9p
Diluted earnings per share	**20.0p**	20.3p
Basic earnings per share continuing operations	**8.7p**	10.8p
Diluted earnings per share continuing operations	**8.4p**	10.5p

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 29 June 2019 and 30 June 2018 respectively. There is a difference at June 2019 between the basic net earnings per share and the diluted net earnings per share of 0.7p due to the 523,641 share options awarded.

	2019	2018
Adjusted earnings per share		
Adjusted Profit for the year after tax (£'000)	**4,330**	3,928
Basic weighted average number of ordinary shares in issue during the year	**17,135,542**	16,934,762
Diluted number of shares	**17,659,183**	17,454,505
Basic earnings per share	**25.3p**	23.2p
Diluted earnings per share	**24.5p**	22.5p

Adjusted profit for the current year from continuing and discontinued operations of £4.33m is shown after adding back Exceptional Items of £0.72m and Amortisation of Acquisition Related Intangibles of £0.26m, and then deducting a notional tax charge of £0.19m. Adjusted earnings per share has been calculated by dividing the adjusted profit of £4.33m by the weighted average number of ordinary shares in issue at 29 June 2019. The 2018 comparative figures have also been adjusted to a comparable basis.

11. Note to Cash Flow Statement

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

	2019 **£'000**	2018 £'000
(Decrease) in cash and cash equivalents	**(553)**	(3,123)
Net cash flow from changes in borrowings	**5,154**	(5,005)
Change in net debt	**4,601**	(8,128)
Opening net debt	**(11,769)**	(3,641)
Closing net debt	**(7,168)**	(11,769)

(b)Analysis of net debt:	Closing 2018 £'000	Cash Flow £'000	Non-Cash Movement £'000	**Closing 2019 £'000**
Cash at bank and in hand	934	(561)	8	**381**
CID facility	(8,346)	4,027	-	**(4,319)**
Borrowings due within one year	(1,127)	(12)	-	**(1,139)**
Borrowings due after one year	(3,230)	1,139	-	**(2,091)**
	(11,769)	4,593	8	**(7,168)**

12. Non-adjusting post period end events - discontinued operations

In July 2019, the Group sold its 100% interest in Curzon Supplies Ltd for consideration of £35m (completing the disposal of the Manufacturing segment) which is the only operation presented as discontinued operation in 2019. Curzon Supplies Ltd was incorporated in March 2019.

Although the transaction completed after the period end it was more likely than not to go through at the balance sheet date and so results have been disclosed here. The financial results of this business has been treated as discontinued operations in both the current and prior year financial statements in line with IFRS5. The remaining activities within the Group are referred to as continuing operations.

As a result the following assets and liabilities have been classified as held for sale:

Net assets held for sale	**2019** **£'000**
Property, plant and equipment	11,190
Intangible fixed assets	779
Equity instruments held at fair value	1,385
Inventories	10,743
Trade and other receivables	13,966
Trade and other payables	(14,800)
Deferred tax liability	(563)
	22,700

Result of discontinued operations	**2019** **£'000**	2018 **£'000**
Revenue	57,663	52,860
Expenses other than finance costs	(55,835)	(50,709)
Investment Income	1,146	(12)
Exceptional costs	(669)	-
Tax (expense) / credit	(255)	(438)
Profit for the year	**2,050**	**1,701**

Earnings per share from discontinued operations	**2019** **P**	**2019** **p**
Basic earnings per share	**12.6**	**10.0**
Diluted earnings per share	**11.6**	**9.7**

Cashflow in respect of discontinued activities	**2019** **£000**	**2018** **£000**
Operating cash flows	6,717	1,619
Investing cash flows	(602)	(879)
Financing cash flows	(3,637)	1,701
Total cash flows	2,478	2,441

Included in Exceptional costs in discontinued operations are restructuring charges of £581k and deal fees of £88k.

13. Prior Year Adjustment

A deferred tax liability was not recognised in respect of customer relationships and brands, which were assets that were separately identified in the acquisition of Brand Architeks Limited. This has historically resulted in an understatement of Goodwill and the deferred tax liability of £1,145,000. This has been restated in the comparative information. There has been no impact to the previously stated retained earnings, net assets and cash flows.

14. Annual Report

This report will also be available from the Company's registered office and on the Company's website www.brandarchitektsplc.com.