brandarchitekts

Annual Report 2020

Brand Architekts is a British challenger-brand business operating in the beauty sector, focused on:

– insight-led brand development

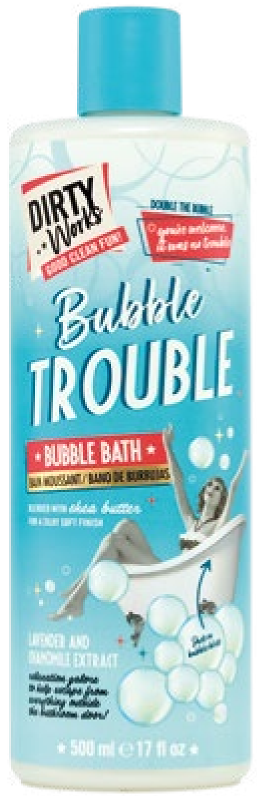
– ethical and efficient sourcing and manufacturing

– omni-channel routes to market

– creating noise and buzz

– brand invigoration

See pages 20 to 21 for more information about our business model



Highlights

Financial Highlights

Group Revenues

£16.3m

excluding sales from discontinued operations

Disposal of Contract Manufacturing Business

£35m

leading to creation of a solely owned brands business

Underlying Gross Profit Margin

35.2%

Underlying Operating Profit from Continuing Operations

£0.1m

Profit before tax

£2.2m

Net Cash Position

£18.0m

Strategic and Operational Highlights

- Sale of our manufacturing business successfully completed in August 2019
- Energies and resources now 100% focused on an owned-brand business model
- Senior management team refreshed with highly experienced new CEO, CFO and Commercial Director
- COVID-19 had a significant impact on pharmacy and drugstore channels. This high street decline was partially offset by double-digit growth through pure play e-tailers and our own online shops, as well as single digit growth in the grocers. Annual sales decline of 17% year-on-year
- Online growth aided by home beauty demand and trialling during lockdown
- A resilient response to COVID-related operational challenges, with no staff furloughed
- Sustainability Blueprint launched early FY21 with the goal of being a carbon-neutral business
- Project 50 launched to create a business with £50m annualised revenues within five years

Business Overview

Brand Architekts: who we are

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

Each brand answers the specific needs of the consumer through a unique combination of nature, science and years of experience. Our broad portfolio ranges from skincare, haircare and bodycare to bathing, gifting and accessories.

We offer both omni-channel and UK retailer-exclusive brands that 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.

We address the needs of both women and men, from Soho-chic and young fashionistas through to lifelong brand loyalists. Alongside our indulgent formulations, we also produce efficacious but affordable products for these cost-conscious times. Our range is a broad church, enabling us to flex with changing consumer behaviour and macroeconomic factors.

In the locked down world of FY20/21 and beyond, we continue to explore all commercial opportunities with the single focus of making our consumers look and feel great.

Brand Architekts has more than a dozen brands and multiple products. These are just a few of our flagship assets.

Super Facialist

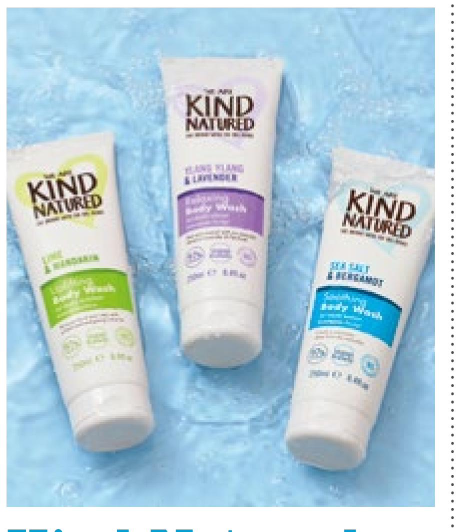
brings together fragrant natural extracts and high-performance scientific ingredients to create beautiful looking skin. An expert facialist experience, but at home.

Dirty Works

is about good clean fun in the bathroom, and an indulgent antidote to life's stresses and strains.

Dr SALTS+

range creates post-workout, muscle, detox skin and sleep therapies by harnessing the therapeutic benefits of Dead Sea, Himalayan and Epsom salts.



Kind Natured

the clue is in the name. This fragrant celebration of plant and natural extracts leaves hair, skin and body looking beautiful. And all products are vegan-friendly.

Fish

hails straight from style central – Soho, London – in a range of professional-grade, high-performance haircare products.

Business Overview continued

Be your own Super Facialist...

Brand proposition

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.

Its mild, yet demonstrably effective, formulation is designed for everyone, of every age. Already a flagship brand for treatments at home, Super Facialist came into its own during lockdown and we see considerable latent potential still to explore.

Distribution

Initially available in Boots, Super Facialist extended its reach during the reporting year into Sainsbury's and Waitrose. It also gained significant traction on Amazon and Feel Unique, in addition to increased sales through its dedicated online store.

The #BeYourOwnSuperFacialist hashtag continues to generate exceptionally strong likes, reviews and endorsements on social media. The brand was also a multiple award-winner at the Beauty Bible Awards 2020.

Instagram followers increased by 140%, Facebook +100%; subscribers +240%.

Business Overview continued

Good clean fun, in a bathroom near you

Brand proposition

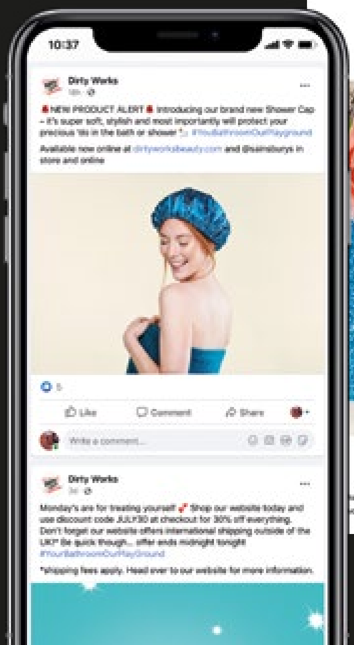
Not taking itself too seriously has turned Dirty Works into a serious business.

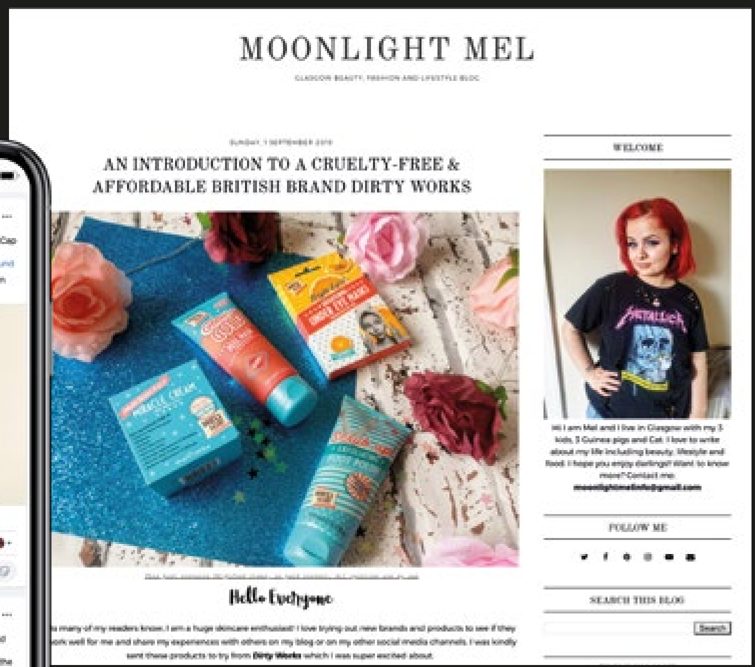
This fragrance-fest of bathroom escapism includes scrubs ('Foam at Last'), fizz bars ('Cube Tropicana'), bath bombs ('And on That Bombshell') and more than 64 other fun yet indulgent products.

Together, they cover all kinds of washing and bathing, skincare accessories, gifting – and even a topical hand sanitiser gel ('Anti Bac to Basics').

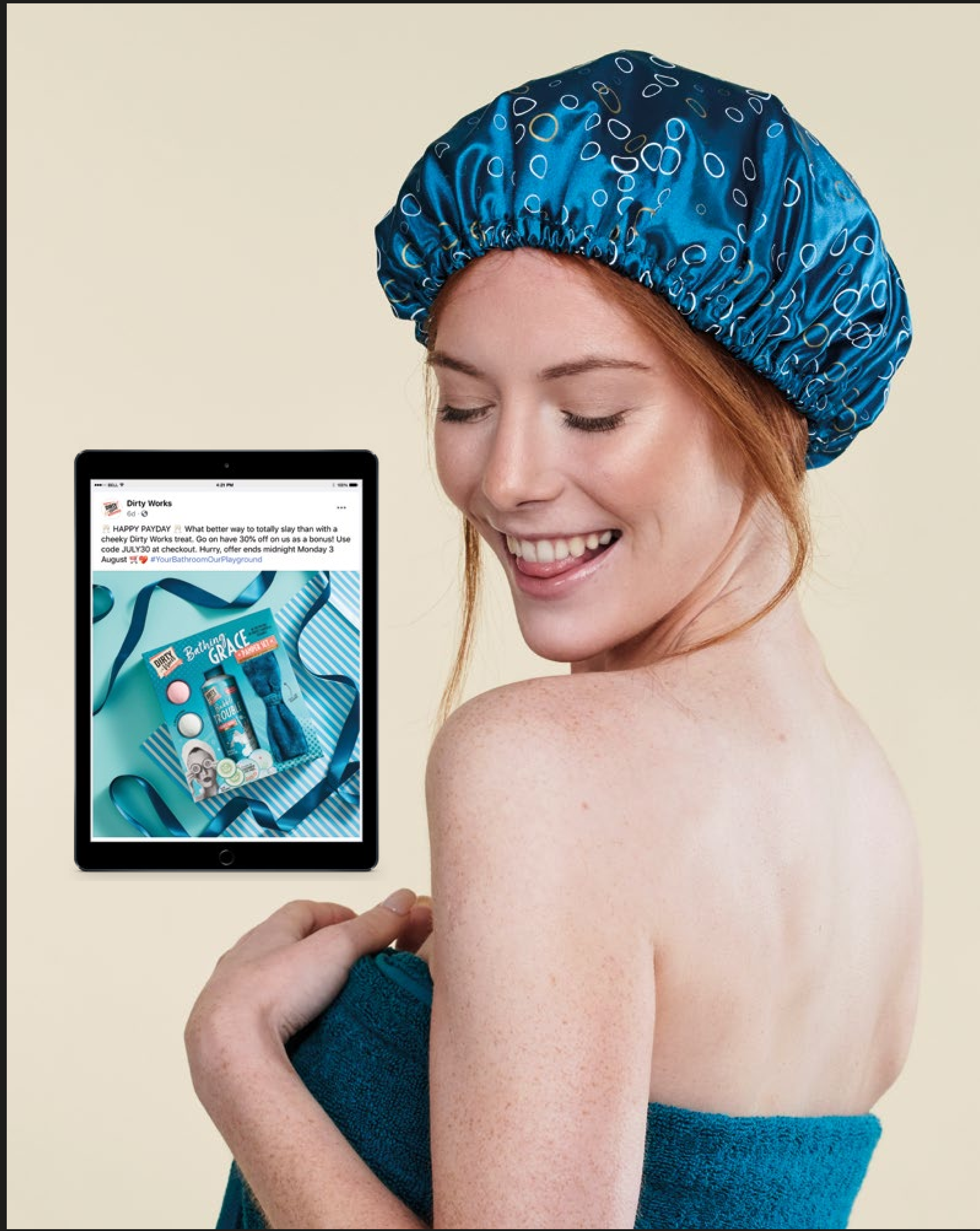
Distribution

Dirty Works is available exclusively at Sainsbury's stores in the UK. Of course, fun is an international language and Dirty Works' fame – and foam – has spread to the bathrooms of Dubai, Australia, Ireland, Chile, India, Greece, Latvia, Estonia, the Netherlands and Cyprus.





Social media engagement and audience acquisition is a key strategic focus for all Brand Architekts brands in 2020/21.



Business Overview continued

Respecting the planet. Valuing people

The characteristics of a good business lie way beyond a strong balance sheet. Brand Architekts is embarking on a stretching sustainability programme, with the goal of being carbon-neutral.

Our ambition

100%

recyclable packaging by 2024

Making beauty sustainable

Acting sustainably is a duty that comes naturally to Brand Architekts.

Through our own products we are active proponents of the 'kind economy', and we know first-hand the importance of treading lightly, and respecting pure and natural resources.

But to be meaningful, this ethos must translate into action, and in 2020 we launched a new Sustainability Blueprint Code of Conduct.

The code seeks to audit every aspect of our packaging, products and production, and deliver measurable reductions in our environmental impact. For example:

- by Christmas 2021 there will be no plastic trays or acetate windows in our gift packaging
- we have set stretching packaging targets to increase Forestry Stewardship Council (FSC) approved board for all cartoned products
- we seek to use more recycled materials, and make all our packaging 100% recyclable by 2024
- we aim to reduce packaging weight and will investigate friendlier inks and finishes
- we will minimise our use of finite raw materials
- we will not source ingredients where there is recognised evidence that it is harmful to natural habitats or ecosystems
- we will meet or exceed government and EU targets for packaging recyclability
- our use of power, water and alternatives to travel will be optimised
- we have targeted becoming a carbon-neutral company

Our people, culture and values

We believe that any business thrives on the diversity of its people and, very simply, we seek to mirror the society around us.

We therefore recruit and promote talent equally wherever it may come from, and regardless of gender, age, orientation, ethnicity or disability. This is not only the right thing to do; it enriches the way we think and act, and helps us never to lose sight of the customers we serve.

The sale of our manufacturing business in FY20 reduced our headcount considerably. However, our inherent culture remains unchanged: we are entrepreneurial, forward-looking and operate a flat structure that encourages everyone to feel they can make a difference.

As we enter FY21 and beyond, we will recruit to enhance our strategic thinking capabilities. With no manufacturing distractions, the business is now free to focus solely on taking its brands to the next level.

 Brand Architekts Group plc Annual Report & Accounts 2020

Investment Case

Sole focus on profitable branded business

Brand Architekts is enjoying a new clarity of purpose: to create a business focused solely on owned brands. This follows the disposal of our contract manufacturing business for £35m. This transformational deal was a milestone in the Group's strategy of accelerating its owned brands business with its higher margins, lower capital investment requirements and superior financial returns.

Distinctive and appealing brand portfolio

One of the key strengths of the business is its broad portfolio of brands. Brand Architekts covers all the main bases: from female beauty to male grooming, and from masstige to everyday value.

New and experienced leadership team in place

The sale our manufacturing interests was followed by changes to our management structure and fresh appointments to take the owned-brand business forward. This included the appointment of Quentin Higham as CEO and Thomas Carter as CFO. We now believe that we have the team in place to build scale and deliver further profitable growth.

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.

Opportunities for further growth online and internationally

The increasing shift online has highlighted the importance of having a strong direct-to-consumer (DTC) reach, and we plan to make significant investments to strengthen our consumer reach and engagement. In parallel, we will focus on maximising our brands' potential in new international markets and building relationships with appropriate distribution and retail partners.

Potential for M&A

Given the strength of the balance sheet, the Group remains alert to acquisition opportunities that will further strengthen its areas of core competence – category, channel and consumer – as well as more nascent areas for the Group such as DTC and international reach. The business will factor in current and future consumer behaviour; consumption and proprietary technology; and product point-of-difference.

Substantial net cash position

The Group's balance sheet is carrying high levels of cash following the disposal of the manufacturing business. The Group had a net cash position as at 27 June 2020 of £18.0m (excluding lease liabilities).

Chairman's Statement

"This financial year has been one of transformation for the Group..."

Brendan Hynes

Executive Chairman

...while presenting both opportunities and challenges in equal measure.

In August 2019 we concluded the disposal of our manufacturing business, leaving a company solely focused on owned brands, and with a strong balance sheet. While this deal was transformational, it also required the business to go through a period of significant operational transition. We needed to recruit a fresh management team with the necessary experience and ambition to reflect this change of focus, and who could put in place their own strategic vision for delivering shareholder value.

While the search was under way, we were fortunate to be able to call on the experience of Chris How to act as Interim CEO, and I would like to thank him for providing executive management continuity during this challenging period. Even so, the distractions of managing the sale and realigning our management structure inevitably impacted business performance during the reporting period.

Roger McDowell, incoming Non-Executive Chairman, comments:
Having already been involved with the business for a number of years as a Senior Independent Director, I am very excited to be working with the new management team. I have no doubt that we have the perfect model and depth of resources to be well positioned to be successful over the next few years.

I would like to thank Brendan Hynes for his stewardship, as he has overseen the transformation of the Group to a fully focused branded business with a very strong balance sheet.

I look forward to working with the rest of the Board as we seek to deliver growth organically, through transformational investment and focus on DTC and through targeted acquisitions.

With these issues now behind us, I am pleased to say that in Quentin Higham as CEO and Tom Carter as CFO, I am confident that we have the right team in place to develop and execute an exciting new strategic plan to deliver shareholder value for the business. They have identified and will build the right platform of systems and processes to drive the business forward.

This new executive team joined the business as we were starting to see the effects of the COVID-19 pandemic. This had an immediate effect on the buying habits of both consumers and retailers alike, presenting both risks and opportunities for the Group.

Performance review

The final quarter of the financial year was heavily impacted by COVID-19, with non-essential retailers closed during this period and international business effectively on hold.

As a result net sales for FY20 were £16.3m, (excluding sales from discontinued operations), a decline of 17% on the prior year. Sales in the first half were £10.6m, a decline of 15% when compared to H1 2019 (£12.5m). Sales in the second half of FY20 declined by 21%, to £5.7m (H2 2019: £7.2m).

Following the heavy impact of currency devaluation in Turkey and the effect of increased tariffs on cosmetic goods shipped from China to the USA, international sales declined by 24%. Looking forward, should the tariffs be reversed, the Board believes that the Group is well placed to recover a large proportion of the affected USA business.

UK sales declined by 16%, despite encouraging volume growth across our three 'drive' brands, two of which were relaunched within the period. The decline was largely due to one significant customer, however, overall low consumer confidence and pressure within the retail environment has resulted in a reduction of both category space and the effectiveness of promotional activity.

Gross profit margin declined to 19.6% (2019: 35.6%). Underlying gross profit margin, which excludes gross profit of £2.5m from exceptional inventory provisions and write offs made at the year end, was 35.2%. As part of the business transformation to focus on Owned Brands with a new management team, a number of decisions were taken to reshape the brand portfolio, triggering adjustments to these brands and related inventory. This includes brands being exited, de-listed, relaunched and clearance of older products which may have historically been sold through discount channels. These costs are one-off as part of the business transformation, therefore margins are expected to normalise in FY20/21.

Profit before tax decreased to £2.2m (2019: profit before tax £4.1m). This included exceptional items of £3.5m comprising the profit made on the disposal of the manufacturing business of £8.9m offset with exceptional costs of £5.4m.

Chairman's Statement continued

"Despite COVID-19 there are positives for certain channels, given strong growth in the grocers and online."

Impact of COVID-19

Clearly, the outbreak of COVID-19 in March presented us with a challenge that no business had experienced before. We took immediate steps to ensure the health and well-being of our employees, clients and suppliers, and this still remains the top priority for the Group. I would like to thank all our employees for their tireless work and dedication throughout these challenging times.

Encouragingly, overall sales performance during H2 was stronger than the Board had anticipated. Even so, we weren't immune to the fluctuating demands of customers and end-consumers, and during the last quarter of FY20 the impact of the pandemic had a significant effect on the sales mix.

Our brands' performance within UK grocers showed single-digit growth, while our online sales channels, whether through large e-tailers such as Amazon or our own branded websites, have delivered high double-digit growth. As a result of the shift to online we stepped up promotional activity to capitalise on this route to market.

These gains did not offset the significant decline in other high street outlets, whose store traffic was impacted during lockdown. Additionally, several key international markets did not place orders during Q4 FY20 due to the closure of most general merchandise and department stores.

Unsurprisingly, sales of handcare products increased significantly and we were able to secure extra supply to support retailer demand. But it was also no surprise that sales of male haircare and shaving products saw a major decline.

Response to COVID-19

In order to mitigate the impact of COVID-19 on the business, the Group took a number of decisions to reduce operating costs and associated cash requirements. These included:

- a number of short-term reductions on our discretionary expenditure
- a short-term suspension of rent payments for our offices in Teddington
- steps to manage staff costs, including a hiring freeze across a number of vacant positions
- all Board directors agreeing to a 20% reduction in their respective salaries or fees (April–June)

However, the business took the decision not to participate in the furlough scheme, so that the team could focus on its response to consumer behaviour post COVID-19, and to plan for FY21.

Board changes

Over the period, and following the sale of our manufacturing business, we made a number of changes to the executive team and Board. We now believe that we have the team in place to build scale and deliver further profitable growth.

Quentin Higham became CEO, effective from 4 May 2020. Despite the difficulties of joining the business in the midst of lockdown, his deep industry experience and passion for brands has been evident from the outset. Quentin joined Brand Architekts from Yardley of London Limited where he had been Managing Director for 10 years. Previously he had been Marketing Director at Coty and was Head of UK Marketing at global cosmetics company Revlon.

On 22 June 2020, Tom Carter joined the Group as Chief Financial Officer. Tom brings strong financial and operational skills to the business and the Board believes he is the right person to steer Brand Architekts to the next stage in its development. Tom joined from Technetix Group Limited, a market-leading technology company, where he was Group Finance and Operations Director. Previously, he was Regional Business Controller at Alliance Boots, Financial Controller at Sky Media and Finance Manager at Procter & Gamble. Tom trained as a Chartered Accountant with PwC.

As announced on 14 July 2020, Chris How was appointed as a non-executive director with immediate effect. Chris was formerly the CEO of Swallowfield PLC (the previous name of the Group) and recently served as interim CEO of Brand Architekts. Chris brings continuity, detailed knowledge of the business and extensive, relevant sector experience. I have no doubt that he will provide sound counsel to Quentin and Tom.

After seven years in the role, as announced on 14 July 2020, I informed the Group of my intention to step down from the Board following the presentation of these financial results. With the Group now transformed into a strong, fully brands-focused, cash-positive business, and with a new executive team in place, I feel that now is the right time to step aside. I am proud of the work that we have done to transform the business and believe that it has never been better placed to build scale and drive growth.

Roger McDowell, the incumbent Senior Independent Director and Chair of the Remuneration Committee, will succeed me and take on the role of Non-Executive Chairman. Roger is an experienced Chairman and non-executive director, and his extensive knowledge of the business provides for a smooth and seamless transition.

Dividends

Following the sale of the manufacturing business and subsequent reorganisation, the Group has not delivered an operating profit this year. Accordingly, the Board will not be proposing a final dividend. The payment of the interim dividend was cancelled as a result of uncertainty following the coronavirus outbreak. The Group's dividend policy will be kept under review and further updates made as appropriate.

Outlook

As we enter the new financial year the difficult trading conditions remain and the impact on the high street in particular is uncertain. This is evidenced by the caution being shown by retailers for their forthcoming Christmas orders, where agreed volumes are down on last year both domestically and internationally.

The impact of COVID-19 on our business has been significant, but we have responded well to these challenges. We now have in place a new management team, an experienced and committed workforce and a strong balance sheet with significant positive cash.

We are responding to structural changes in the market, by accelerating our strategy to develop and invest in online sales, further innovative NPD and a stronger focus on distribution in both the UK and internationally. There is still considerable work to be done on relaunching a number of underperforming brands; rationalising ranges & improving productivity. All of these plans are in place but given retailer range review dates, will not come to fruition until H2 this year.

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.

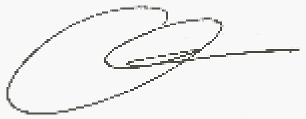
Given these uncertain conditions it would be inappropriate to provide guidance on the likely outcome for the year at this time. This will be kept under review and guidance will be provided when there is greater clarity.

CEO's Statement

"We have a big task ahead, but an exciting one as well. We have the brands, the drive and the people to deliver growth for the long term."

It is a great pleasure to give you my first impressions of Brand Architekts, having taken up the reins as CEO in May.

I can safely say it has been an induction like no other I've experienced: when I arrived, the business had hunkered down due to COVID-19, against a sad backdrop of ghost-town high streets and rapidly changing retail habits.



Quentin Higham

CEO

The lockdown also meant that getting together with my new colleagues was necessarily confined to Microsoft Teams.

However, it was instantly clear to me that I was inheriting a team that had become adept at making light work of challenges and changes. With unswerving dedication and passion, they had already embraced significant structural and management changes during this reporting year. They proceeded to address the pandemic, and its considerable business and logistical implications, with the same calm professionalism.

I'm also excited to be working with two fellow new recruits to the management team: Tom Carter (Chief Financial Officer) and Joanna Hutton (Commercial Director). We have already launched ambitious new growth plans, and across our business I'm entirely confident we have the talent, drive and portfolio to deliver them.

Initial findings

Brand Architekts is not in fact entirely new to me. I have worked in the beauty sector for nearly 30 years and was involved with Brand Architekts brands such as Fish and Real Shaving Company in previous roles.

One of my first tasks was to review how we are organised. Brand Architekts was only established in its current guise in August 2019 and there were transitional service agreements in place until the end of that calendar year. Much of my initial focus was therefore on making sure that we have the right structures and processes in place to give us the insight we need across all functions of the business.

Of course, one of Brand Architekts' key strengths is its portfolio of brands. Understanding the needs of retailers and delivering products to meet those needs has been the foundation of Brand Architekts' success and reflects the strength of relationships we enjoy. This is also a time when the breadth of our portfolio comes into its own: we cover both female beauty and male grooming products, and at different price points ranging from 'masstige' to everyday accessible value. This should give us resilience as the true economic impact of the pandemic becomes increasingly felt. We are increasingly focused on productivity and rationalising underperforming SKUs and brands.

Tom Carter
Chief Financial Officer

"I'm really excited to join Brand Architekts – it has a fantastic team and brands with great potential. I'm looking forward to help deliver our Project 50 strategy."

Joanna Hutton
Commercial Director

"I've always admired Brand Architekts – the company has an amazing ability to react to trends and be on the front foot of the latest beauty innovation. After joining the team I've been made to feel extremely welcome, and everyone is incredibly supportive of the plans we have in place for 2021."

As we move into FY21 and beyond, I see immediate priorities in three specific areas:

- **Getting closer to our end-consumers' needs and wants.** Just as we have forged strong relationships with customers, we need to do the same with consumers. Consumer habits change at pace and it is only by being hard-wired into those evolving needs that a brand can achieve its full potential. By complementing our team's knowledge of the marketplace with more deep-dive data analysis, we can improve and create more powerful, sustainable brands.

  Pleasingly, our portfolio contains brands with considerable untapped potential. Once we have gained consumer insight, we will invest in these specific brands to accelerate market awareness, drive demand and achieve higher ROI. Even where certain brands do not merit extra investment, they can still be profitable and cash generative.

- **Strengthening our DTC channels.** As I write, high street outlets are cautiously emerging from lockdown. While this is heartening to see, footfall is, and is expected to remain, depressed for the foreseeable future. COVID-19 has highlighted that we have a pressing need to build a robust direct-to-consumer (DTC) channel. We will invest the resources required and actively get closer to our consumer base.

- **Realise our full potential internationally.** Although we already have a presence in 28 countries, there is much more we can do. The love of high quality, efficacious, yet affordable beauty products transcends borders and I will be drawing on my international experience to oversee this personally.

I am pleased to say that the sale of our manufacturing business in 2019 means we have the resources to make these investments happen. We also intend to supplement these organic initiatives with acquisitions which will strengthen our core competences, and/or address areas of weakness. It is always hard to predict a timeline for M&A activity, but we will approach opportunities selectively. The Board will be focused on the right deals – those that complement our strategy and generate good ROI – rather than quick deals.

With this combination of organic and acquisitive initiatives, I'm confident that within five years we will have created a company delivering £50m of annualised revenues. To this end we have launched 'Project 50' internally, and we are united in believing that while this goal is ambitious, it is also eminently achievable. Project 50 will enable us to achieve scale and increase earnings, resulting in improved shareholder value.

The Project 50 plan allows for the challenging retail conditions we are witnessing now and the uncertainty around when they might improve. In FY21, the year ahead will be one of consolidation for Brand Architekts as we finalise the platform, the products and the routes to market that will drive this business forward.

CEO's Statement continued

Q&A

Q Where does your passion for beauty brands come from?

A I spent my formative years in the Middle East. My father was a wine merchant who taught me the importance of a sense of smell, and from an early age I was fascinated with fragrances and textures. Consequently, my father would regularly subject me to blind fragrance tests, and I was hooked.

By the time I graduated I knew exactly what I wanted to do and landed a job at Revlon, where my career took shape. I believe this passion for beauty will help me empathise and contribute to Brand Architekts' NPD programme.

Q What have been some of the highlights of your career?

A I have been involved with some fantastic but diverse brands, such as Revlon, Swatch, King of Shaves and Yardley. I'm proud of what we achieved, but the challenges were vastly different.

The challenge of Revlon in the late 90s was to reposition it as a self-select cosmetic brand and move it away from its consultant-supported proposition. We successfully implemented a mass merchandise model, resulting in a three-year increase in sales and profitability, which enabled the brand to invest in above the line activity and Sky's first cosmetic sponsorship campaign.

With Swatch, despite the implosion of duty free, we managed to take watches to an entirely different level and introduce the concept of fashion and regular change. In contrast, with Yardley, as a result of a complete relaunch in 2015, the most notable success was to significantly reduce the average consumer age down from 72 to 55 and deliver a CAGR of 30%. I am confident that this diverse experience will enable me to address some of Brand Architekts' brand challenges.

Q What do you particularly enjoy about brands?

A It is hard to pinpoint any single area as so much goes into making a truly successful brand: from research, concept and product development through to targeted marketing and distribution. But I particularly love working with challenger brands as they demand a different mindset from working with market leaders. It's something I feel I thrive on and makes the Brand Architekts portfolio unique.

Q Is international expansion a challenge you enjoy?

A It is, because it's fundamental to a brand being able to reach its maximum potential. I've been lucky to enjoy success in taking products into a range of different territories and cultures, from commonwealth countries such as Canada, where there are no language barriers, through to Far Eastern (Korea and Japan) and Middle Eastern markets. For one brand, I even found myself co-hosting live shows on the QVC German channel, which was remarkable since I do not speak a word of German! Thankfully, technology and simultaneous translation came to my rescue. There is a huge amount of potential for the Brand Architekts portfolio and we will be looking to replicate the success of our brands in the UK in key international geographies.

Q What attracted you to Brand Architekts?

A Firstly, I already knew Brand Architekts a little. I had followed the Company for many years because the founding principal was an ex-Revlon colleague. I knew the strength of the portfolio and the opportunities for growth. But having now been with the Company for nearly three months I have discovered countless other strengths: from the depth of our teams' relationships with customers, to the quality of our people and the spirit embedded in our culture. Building on these strengths will be central to achieving our growth ambitions.

Q How much has the industry changed during your career?

A There is no doubt that both the beauty industry and the wider retail landscape have changed dramatically over the last 10 years and continue to do so. Technology has been the driving force with the shift to online retail, and new marketing channels such as social media are allowing us to understand consumer behaviour that much better.

Linked to this, I believe that by combining more science and analysis of data with good old-fashioned gut feel for the marketplace, we can improve and create more powerful, sustainable brands of real substance.

Business Model

Driven by ambitious growth

Resources that define us

Brand portfolio

– Strong revenue generating portfolio

– Multiple opportunities to enhance earnings

See pages 2 to 7

Team attributes

– Brand sentience/perceptive

– Entrepreneurial culture and values

See pages 8 to 9

Key industry relationships

– Manufacturers

– Retailers

– Distributors

– Media

See pages 28 to 29

Finances

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

See pages 31 to 32

How we create value – the brand life cycle

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

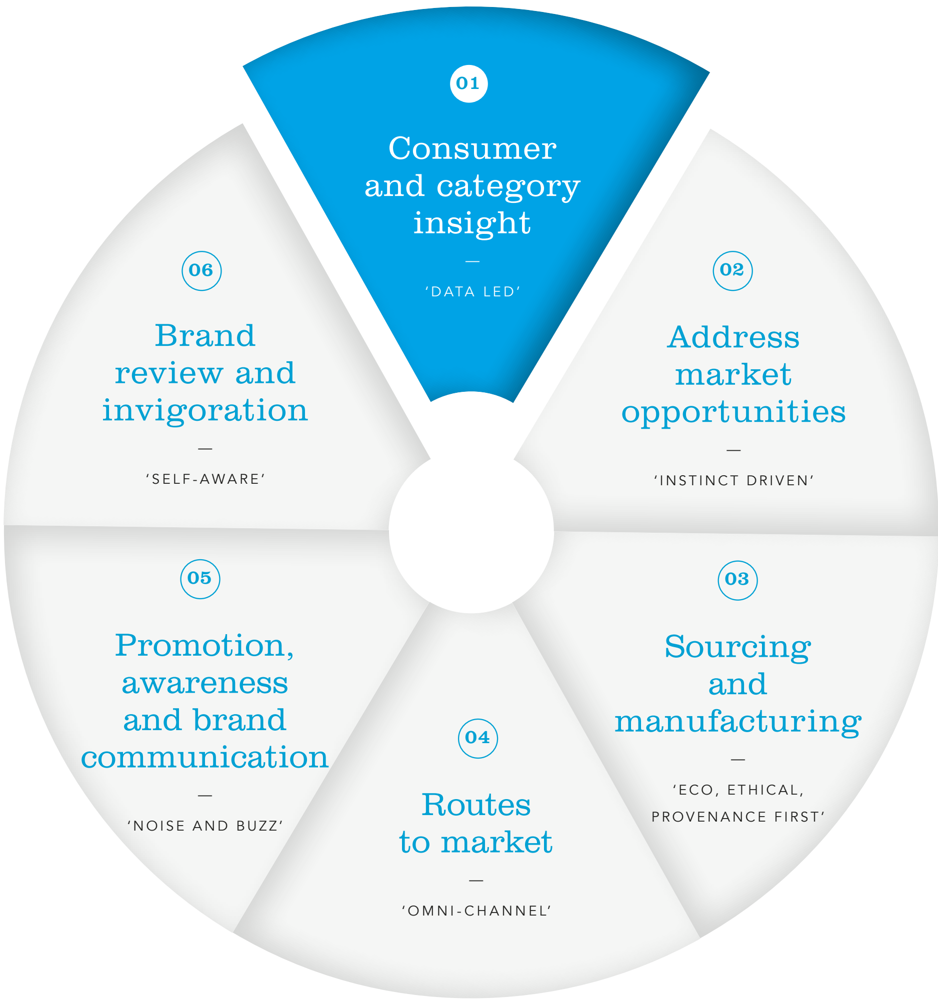
02 Opportunities come in many forms, including market gaps addressable by new product development, and M&A to open new avenues. We are alert to both and have the resources to act.

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

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

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

06 Our '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.



Stakeholder outcomes

Customers and consumers

Employees

Suppliers

Shareholders

Local communities

Market Context

Reflecting the zeitgeist

Near-term trading environment

At the time of writing, the national COVID-19 lockdown in the UK has eased but regional flare-ups continue to trigger localised restrictions.

Clearly, our revenues in FY20 were significantly impacted with the lengthy closure of pharmacy outlets and restricted access to supermarkets and delivery slots. Even so, this depressed retail climate did reveal certain silver linings as we moved into FY21.

Home trialling

With beauticians and hairdressers closed for some four months, homes became the new salons. Thousands of new customers entered the home beauty segment for the first time, discovering how they can achieve superb results themselves. This augurs well for future sales as increasing numbers develop the beauty at home habit.

Hygiene products

During lockdown, sanitisers, handwashing and other cleaning products became front-of-mind. We responded with anti-bac ranges, with our signature fragrances a welcome alternative to those of the chemistry lab.

Online

With high streets closed, online saw remarkable growth for our direct-to-consumer (DTC) business, as well as for our sales through Amazon and specialist e-tailers. This was coupled with an even greater buzz around our brands in terms of likes, reviews and influencers, and reaffirms our commitment to invest significantly in e-commerce and social media expertise.

Consumer expectations

Certain consumer expectations are, and will remain, a given. On page 9 we discuss the continuous need to build on sustainability performance, ranging from the way we use recycled and recyclable materials, to minimising our footprint across every facet of our business.

As well as this chiming with our own values, we seek to be in lockstep with what consumers – and indeed the major retailers – are looking for.

One example is the demand for 'clean beauty'. Led by the desire for wellness and detoxing, consumers are increasingly valuing simplicity and high quality, non-synthetic ingredients. Equally, they are looking for transparency and clarity, and not to be blinded by science-speak and confusing claims.

This plays particularly well to a number of our brands – notably, Super Facialist, Happy Naturals and Kind Natured – which are created and presented with exactly this clean philosophy. But more widely, our default approach is to use sustainable ingredients wherever we can, and as such we take a natural place in the kindness economy.

Challenging the status quo

In a sector of megabrands, our portfolio speaks to the many women and men who are looking for exciting and individual discoveries, rather than more homogeneous products.

Our success has largely been driven by happy consumers' word of mouth, as well as the powerful endorsements of beauty journalists and social influencers.

However, in a competitive world we will now be exploring all tools at our disposal: from gaining deep-dive data insights, to affiliate marketing and above the line advertising.

We will also rein back on high numbers of launches and variants in favour of making individual SKUs work that much harder. This is not only more efficient but is what retailers want in a finite space: products that are proven performers, undiluted by multiple offerings.

Project 50

Our five-year path to growth

PROJECT 50

Despite the bruising year that every business in our sector has suffered under lockdown, Brand Architekts enters FY21 and beyond with real optimism. Indeed, we are even quantifying our positivity through our Project 50 goal.

The business now enjoys the undistracted focus of being a pure-play brands enterprise. It is led by a fresh management team with a wealth of sector experience. A strong balance sheet from our manufacturing disposal also provides the resources we need for strategic acquisitions and investment.

These assets, coupled with an already-strong portfolio, have led us to set a transformational target: to grow the Company from a £16m business now into a £50m business within the next five years.

To achieve this, Project 50 demands, and is receiving, new thinking, investment and focus across four key pillars.

Operational efficiency

Description

We invested in new financial control systems for the transition to a brands-only business and the change to third-party manufacturing.

The focus now is to implement further operational improvements that will give us much greater visibility for future planning and demand.

Our immediate priorities

- to invest in business intelligence software that will help us anticipate future requirements, trends and opportunities
- to be able to analyse data effectively and manage inventory more efficiently
- to be equipped to forecast with greater accuracy

Optimising our portfolio

Description

Coming from a heritage of creating brands and products can, over time, create an unwieldy portfolio of mixed performers. FY21 will see us rationalise our line-up so that our best assets, together with new product development, receive the full benefit of our energies and resources.

We will continuously improve those products and support them with marketing spend while, in parallel, reducing the tail of lesser performers. In turn, this ‘fewer, bigger, better’ approach will reduce cash tied up in inventory, reduce warehousing and logistics costs, and meet our retailers’ desire for simpler SKU management.

Our immediate priorities

- to audit our portfolio and consult with retailers, leading to a possible reduction of SKUs in the region of 25% in the next two years
- explore international opportunities that maximise the value of our brands
- seek M&A deals that complement our existing brand strengths

Channel development

Description

We will continue to strengthen our omni-channel strategy, following the simple logic that whatever and however the consumer wants to buy, we will be there.

In traditional bricks and mortar, our products and exclusives are listed in the national grocers. For everyday value in a tough economic climate, we’re in the value retailers. If consumers want to buy online, we’re readily available with the major e-tailers. During lockdown, e-commerce, together with the shops on our own sites, played a critical role in delivering sales and maintaining our relationships with consumers.

Our immediate priorities

- invest in, and ramp up, direct-to-consumer (DTC) activity across all our main brands
- target DTC growth to achieve a minimum share of 20% over the duration of Project 50

Being a responsible business

Description

Acting responsibly is not only the right thing to do; it makes our business a better partner for our retail customers, and a choice that our end-consumers feel good to make. We’re proud that our brands have grown largely through word of mouth, from consumers who are rightly selective about what they buy, and from whom.

We also want to be an employer of choice for great people, wherever they come from and regardless of gender, orientation, age, ethnicity and disability.

Our immediate priorities

- to embed our Sustainability Blueprint, launched in September 2020, across the business
- draw the roadmap that will take us to the destination of being carbon-neutral
- assess where we can make a meaningful difference by supporting community and charitable activities

Principal Risks and Uncertainties

Robust risk management

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 to develop 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 to determine the relative likelihood of them impacting the business and the potential severity of the impact, 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 FY20	Mitigation
Talent retention	Loss of key personnel could impact the Group's ability to achieve its Project 50 strategy.		The Remuneration Committee reviews key personnel rewards so that they are competitive and commensurate with performance. LTIPs will be implemented for the executive management and senior leadership teams during H1 FY20. Personal development plans and performance development reviews are in place for all employees to ensure training needs and career aspirations are met. Our objective is to further enhance employees skills base and develop succession plans where appropriate.
Consumer and customer trends	Consumer preferences and buying habits could lead to our products not meeting consumer needs or not readily available for purchase.		Close contact is maintained with both consumers and customers to better understand their desires and create products that fulfil their needs. Investing in new product development as well as online offering and availability are key strategic pillars for the Group.
Product quality and compliance	Inconsistent quality or non-compliance would have a severe impact on service levels, customer relationships and have financial repercussions.		The Company has strong development and manufacturing protocols in conjunction with our key suppliers and compliance consultants.

Risk	Potential impact	Change in FY20	Mitigation
Brexit and supply chain disruption	Disruption to the supply chain from Brexit or other factors could limit availability of products and thereby reduce sales.		The Group maintains a high level of expertise in its purchasing and supply chain team and reviews its supply base continuity plans. The team seeks to cultivate strong relationships with major suppliers with regular reviews to ensure continuity of supply at competitive prices. The potential import and export implications are also assessed and tracked accordingly in line with government updates.
COVID-19	COVID-19 has the potential to continue to impact many of our key stakeholders including customers, consumers, suppliers and employees as well as the economic environment.		Our working practices have evolved to operate in a virtual environment, while customer, consumer and supplier changes and needs are regularly reviewed. Our key strategic pillar of increasing our DTC platform will enable the Group to offset changes to consumer buying behaviours during the pandemic.
Cyber security	The Group is exposed to the risk of increasingly sophisticated cyber-attacks aimed at causing business disruption, capture of data for financial gain, general embarrassment and reputational damage.		Investment internally and externally continues to be applied to maintain a high level of protection software and real-time back-up. The Group continues to monitor and strengthen its data privacy measures and IT general controls.
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 April 2027 or until a new schedule is agreed based on the next triennial valuation which is expected later this year based on assumptions at 5 April 2020. This 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.

Our Stakeholders

Customers and consumers

The Group has built long-term relationships with our customer base in the UK. Many of these relationships are built on years of trust, developing exclusive products to complement our retail customer category offerings.

As we evolve our brands to be multi-channels and develop new markets we continue to focus on forging and maintaining strong links with customers. At the same time, we are continually listening to our consumers to ensure our products meet their needs and create brand loyalty.

Employees

Brand Architekts history as a small owner-managed brands business has embedded close collaboration and respect among all our employees. We continually strive to maintain good communication and an open culture focused on building great brands for our customers and consumers. We communicate to employees regularly through local 'town hall' meetings, global functional webcasts, and at functional and leadership events. We also monitor employee engagement through various means, such as PDR (performance development reviews) and PDP (personal development plans) and employee surveys.

Suppliers

We work with a select number of suppliers both in Europe and the Far East and have developed these relationships over a number of years. We work together to ensure we create fantastic quality and value products for our consumers, with regular onsite visits for close collaboration. This approach ensures we have strong, sustainable and mutually beneficial supplier relationships sharing in achieving our corporate strategic goals.

Shareholders

The Chairman, CEO and CFO 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.

Local communities

The Group is committed to working with our customers and suppliers to minimise any negative environment impacts from our products and supply chain. We are particularly focused on the minimisation of single-use plastics and the sustainability of our ingredients. We work with suppliers who share our principles in the reduction of waste and energy use in the manufacturing process. In addition, in 2020 we launch our Sustainability Blueprint Code of Conduct. The Group recognises the importance of social responsibility in its business and remains strongly committed to reducing the environmental impact of its production and design processes, and advancing its systems and policies to comply with and, wherever possible, anticipate changing legislative and customer demands. This important area is covered as part of regular team briefs to all members of staff.

Section 172

Our Section 172 Statement

The Section 172(1) Statement

The Board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, 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
(f) the need to act fairly between members of the Company

Issues, factors and stakeholders

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 Our Stakeholders section we outline the ways in which we engage with our key stakeholders.

Methods used by the Board

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

- an annual strategy review 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
- 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, stakeholder surveys and reports from brokers and advisers
- training needs of our directors, senior managers and employees

Decision-making in practice

The major decision made by the Group in the year related to the sale of the contract manufacturing business in August 2019. The consideration of key stakeholders and consequences of this decision are summarised below:

S172 factor	Considerations and consequences	Further information
The long term	Renewal of the Group's strategy, focusing on owned brands. This is reflected in the renewal of Group's business model Implementation of a Sustainability Blueprint and the creation of Project 50	Our Business Model Pages 20 to 21 Making Beauty Sustainable Pages 8 to 9 Project 50 Pages 24 to 25
Employees	The sale has initiated a significant reduction in headcount but also provides an opportunity to focus on taking our brands to the next level The disposal also triggered the need to recruit a new management team with the necessary experience and ambition to implement the change in the Group's strategy	Our people, culture and values Pages 8 to 9 Chairman's Statement Pages 12 to 15
Business relationships with suppliers and customers	The Group's business model now sources all its products from third-party manufacturers, ensuring the Group is capital light and agile in the market	Our Business Model Pages 20 to 21
Community and the environment	As an owned brands business, becoming an active proponent of the 'kind economy' and implementation of a new Sustainability Blueprint Code of Conduct	Making Beauty Sustainable Pages 8 to 9

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:

	2020	2019
Reported results from continuing operations		
Revenue (Note 2 of the financial statements)	**£16.3m**	£19.7m
Underlying operating profit[1]	**£0.1m**	£2.4m
(Loss)/profit before taxation	**£(4.3)m**	£1.8m
Reported results from continuing and discontinued operations		
Revenue (Note 2)	**£23.7m**	£77.3m
Underlying operating profit[1]	**£(0.8)m**	£4.4m
Profit before taxation	**£2.2m**	£4.1m
Basic earnings per share	**£12.9p**	20.7p
Net cash/(debt)	**£18.0m**	£(7.2)m

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

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

	2020 Continuing	2020 Discontinued	2020 Total	2019 Continuing	2019 Discontinued	2019 Total
Underlying (loss)/profit from operations	121	(909)	(788)	2,355	2,073	4,428
Exceptional cost of sales	(2,535)	–	(2,535)	–	–	–
Amortisation of acquisition-related intangibles	(260)	–	(260)	(260)	–	(260)
Charge for share-based payments	(4)	–	(4)	(115)	–	(115)
Adjusted operating (loss)/profit	(2,678)	(909)	(3,587)	1,980	2,073	4,053
Net finance (costs)/income	(224)	(23)	(246)	(144)	901	757
Adjusted (loss)/profit before taxation	(2,902)	(931)	(3,833)	1,836	2,974	4,810
Other exceptional items	(1,444)	7,460	6,016	(48)	(669)	(717)
(Loss)/profit before taxation	(4,346)	6,529	2,183	1,788	2,305	4,093

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). 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.

Group statutory revenue at £16.3m from continuing operations was down 17% against prior year, adversely impacted by the continued decline in consumer confidence and retailer pressures, coupled with international pressures following the currency devaluation in Turkey and increased US tariffs from goods shipped from China and also the impact of COVID-19 in the last quarter of the financial year.

The gross profit margin declined to 19.6% (2019: 35.6%). This decline is driven by exceptional adjustments as discussed in the Chairman's Statement on page 13. Adjusting for these items underlying gross profit margin was 35.2%. As these are one-off costs, margins are expected to normalise in 2021.

Continuing operations made an underlying operating profit of £0.1m, while the Group made an underlying operating loss of £0.8m (2019: underlying operating profit £4.4m). Underlying operating profit is shown before amortisation of intangibles, exceptional costs and charges for share-based payments. 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. At the year end, all previous executive share option schemes had been settled in full. At the reporting date, new schemes are in the process of being implemented.

Financial Review continued

The Group made a profit before tax of £2.2m including other exceptional items of £3.5m made from the disposal of the manufacturing business of £8.9m offset with exceptional costs of £5.4m.

The effective tax rate for the period was negative 1% (2019: positive 11.1%) of pre-tax profits. The effective rate is below the statutory rate of 19% mainly due to the impact of the untaxable profit on disposal of the manufacturing business, losses carried back to previous period and the non-recognition of deferred tax assets in relation to taxable losses carried forward. The current year tax charge reflects standard UK rates of taxation.

Net debt and cash flow

The Group has moved from a net debt to a net cash position primarily as a result of the net proceeds from the disposal of the manufacturing business in August 2019. The Group's net cash position at the year ended June 2020 was £18.0m (2019: net debt £7.2m). Following the disposal of the manufacturing business, the majority of the Group's trading was in GBP. Note 24 of the financial statements provides an analysis of net cash.

Financing costs of £0.3m (2019: £0.4m) comprised interest expense of £0.1m (2019: £0.26m) plus a pension plan notional finance charge of £0.2m (2019: charge £0.13m). Finance income in the year is interest received on cash deposits. Finance income in the prior year was the receipt of £1.15m income from the investment holding in Shanghai Colour Cosmetics Technology Company Limited (which was disposed of as part of the sale of the manufacturing business).

Capital expenditure in the year was limited to the design and implementation of a new ERP system (£0.1m), plus purchases of laptops, and fixtures and fittings for the office (£0.03m).

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 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 reassessed and is likely to be increased once the results of the next triennial valuation at 5 April 2020 are available. At the reporting date, the April 2020 valuation is still in progress.

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 lower than they were at 29 June 2019. This has resulted in lower discount rates being adopted for accounting purposes compared to last year. This has 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 IAS 19 methodology. For accounting purposes at 27 June 2020, the Group recognised under IAS 19, a net liability of £13.2m (2019: £9.4m).

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 £21.2m following the sale of the manufacturing business. Accordingly, we continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Board of Directors

Brendan M Hynes MBA, FCMA
Executive Chairman

Brendan joined the Company as Non-Executive Chairman on 1 July 2013 and is currently acting as Executive Chairman on a temporary basis. He is also currently the Senior Independent Non-Executive Director and Chairman of the Audit Committee of Churchill China plc, Non-Executive Director of private, online education business 'Webexaminer', and a member of the Criticaleye Advisory Board. He was CEO of Nichols plc from 2007 to 2013 having previously been Group Finance Director. He has plc main board experience across a range of other sectors including TMT, retail, consumer goods, buildings and automotive. Previous roles have included Executive Director at Knowledge Management Software plc and Group Finance Director at William Baird plc a branded clothing business and Director of the Consumer, Retail and Distribution (CRD) practice of PricewaterhouseCoopers advising Times 100 companies. Brendan chairs the Nomination Committee and is a member of the Audit and Remuneration 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.

Roger McDowell
Independent Non-Executive Director

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 Chairman of Avingtrans plc and Chairman of Flowtech Fluidpower plc. He is also a Non-Executive Director of Tribal Group plc, Proteome Sciences plc, ThinkSmart plc, Augean plc, British Smaller Companies VCT2 plc and Brand Architekts Group plc. Roger chairs the Remuneration Committee and is a member of the Audit and Nomination Committees.

Chris How
Independent Non-Executive Director

Chris was formerly the CEO of Swallowfield PLC (the previous name of the Group) and has 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 will assume the role of Chair of the Remuneration Committee on 28 September 2020.

Corporate Governance Report

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.

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.

Further information on the Group's strategy is within the Strategic Report section on pages 2 to 32.

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. All directors are expected to attend the Annual General Meeting with the Chairmen of the Audit and Remuneration Committees being available to answer shareholders' questions. 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. The Board seeks to present a fair and balanced assessment of the Company's financial position and prospects in its financial reports. Comments from shareholders on the quality and content of the reports and areas for improvement are always welcomed.

The Company's website (www.brandarchitektsplc.com) contains information on the Group, the Company's Articles of Association, the Committee terms of references, copies of all documents sent to shareholders and all market and regulatory announcements.

There is a separate section on the website named 'Shareholder and Company Documents' within this section are documents such as notices of Annual General Meetings, Board changes, holding(s) in Company which are sent to shareholders and any other information sent to shareholders during the period.

The directors actively seek to build a relationship with institutional shareholders. The executive directors make presentations to institutional shareholders and analysts each year immediately following the release of the full-year and half-year results.

As well as the Board being available at the Annual General Meeting to meet with private shareholders, the Company encourages interaction with private shareholders wherever possible.

The Board is kept informed of the views and concerns of major shareholders by briefings from the executive directors. Any significant investment reports from analysts are also circulated to the Board. The Chairman and non-executive directors are available to meet with major shareholders if required to discuss issues of importance to them.

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 meetings, conversations and feedback processes.

Further information can be found in Our Stakeholders section on pages 28 to 29.

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 and 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.

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

The Non-Executive Chairman and CEO are responsible for the running of the Board and 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 has a formal schedule of matters reserved to it and is supported by the Audit, Remuneration and Nomination Committees.

Directors' conflict of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

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. It is not envisaged at this time that any further appointments will be made to the Board in the short term.

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.

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 Company also conducts annual formal performance appraisals for the CEO and executive directors and will continue to do so on an ongoing basis.

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

Brand Architekts is committed to high standards of ethical behaviour. The Group has 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. The Group has also created a Sustainability Blueprint Code of Conduct. Further details can be found in the Business Overview section of the Strategic Report.

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 a formal Board responsibilities statement approved by the Board. 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 have 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.

Corporate Governance Report continued

Board Committees

The Board is supported by the Audit, Remuneration and Nomination Committees. Each Committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the Committee to discharge its duties.

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.

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.

Directors' and officers' liability insurance and third-party indemnity insurance

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.

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.

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 27 June 2020. The Corporate Governance Statement set out on pages 34 to 36 forms part of this report.

Change of name

The Company changed its name on 9 August 2019 from Swallowfield PLC to Brand Architekts Group plc.

Directors

The Company's current directors are listed on page 33, together with their biographical details.

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

B M Hynes	
T J Perman	(resigned 30 September 2019)
J M Fletcher	(resigned 23 August 2019)
M Gazzard	(resigned 23 August 2019)
R S McDowell	
E J Beale	
C G How	(appointed 14 July 2020)
Q G A Higham	(appointed 5 May 2020)
T R J Carter	(appointed 22 June 2020)

Strategic Report

The Strategic Report set out on pages 2 to 32 provides a fair review of the Group's business for the year ended June 2020. It also explains the objectives and strategy of the Group, its competition and the markets in which it operates, the principal risks and uncertainties it faces, employee information, the Group's financial position, key performance indicators and likely future developments of the business.

Employee engagement

For employee engagement please refer to Our Stakeholders section on pages 28 to 29.

Key stakeholders

For our key stakeholders please refer to Our Stakeholders section on pages 28 to 29.

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. This excludes the manufacturing business which was disposed of in August 2019.

Substantial shareholdings

As at 21 September 2020, 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
Soros Fund Mgt	2,121,426	12.3
BGF Investments	1,601,250	9.3
Western Selection Plc	1,300,000	7.5
FIL Investment International	1,253,989	7.3
Hargreaves Lansdown Asset Mgt	1,109,222	6.4
Canaccord Genuity Wealth Mgt	1,060,000	6.2
Peter Gyllenhammar AB	1,051,500	6.1
R & A Persey	1,036,924	6.0
River & Mercantile Asset Mgt	900,000	5.2
City Asset Mgt	629,471	3.7

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 27 of the financial statements.

Notice of Meeting

This year's Annual General Meeting will be held on Wednesday 25th November 2020. 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.

Directors' Report continued

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 33, 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

Brendan Hynes
Executive Chairman

28 September 2020
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 plc (the Company) and its subsidiaries (the Group) for the 52 weeks ended 27 June 2020, 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 Accounts including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 27 June 2020 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for at least 12 months from the date when the financial statements are authorised for issue.

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 of the current period and include 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.

Disposal of the manufacturing division and discontinued operations	Work done
During the period the Group disposed of the contract manufacturing business. Within the 2019 financial statements, all related assets were held for sale and related results included as discontinued operations. This was a significant, material, one-off transaction. We identified a risk that this is not reported correctly. We also identified a risk that transactions may be incorrectly classified as discontinued when they relate to ongoing activities and vice versa.	Our audit work included: – Corroborating assets and liabilities disposed of to completion accounts prepared by the acquirer. – Transaction testing on the manufacturing division on the period before disposal (from 30 June 2019 to 23 August 2019). We considered whether transactions sampled were categorised correctly as discontinued operations. – A recalculation of the profit on disposal of the manufacturing division. – Comparing the profit from discontinued activities to that previously reported in the interim results and corroborating changes made. – Reviewing a sample of related costs of disposal, ensuring they were directly attributable to the disposal. – Ensuring disclosures made surrounding the disposal of the manufacturing business are in line with accounting standards.

As a result of the procedures performed, we are satisfied that the disposal of the manufacturing division has been fairly reported.

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

Goodwill and brands impairment	Work done
As identified in the accounting policies, the impairment review of the Group's carrying value of goodwill and brands is one of the main areas of estimation. At 27 June 2020, the carrying value of these balances in the Group balance sheet was £10.4m (2019: £11.3m). We identified that the audit risk relates to ensuring that management's impairment review is robust and reliable in identifying potential impairment, and that the assumptions made are reasonable.	Our audit work included: – Assessing and challenging the key assumptions and calculations applied by management in their impairment reviews. – A review of the historical accuracy of management judgements made in previous impairment reviews. – Corroborating evidence that supported management's assumptions surrounding the impairment of The Real Shaving Company, including correspondence with key customers of the product. – Benchmarking the revised long-term growth rate to independent market data to confirm it as appropriate. – Assessing and challenging management's sensitivity analysis on key assumptions and calculations. – Performing our own sensitivity analysis on short-term growth forecasts.

As a result of the procedures performed, we are satisfied that the key assumptions used in the impairment model and the resulting conclusions drawn by management are appropriate. The impairment of The Real Shaving Company reflects management's assessment that limited reliable forecasts can be made beyond the current financial year.

Inventory valuation and provisioning	Work done
At 27 June 2020, the Group carried inventory of £3.7m (2019: £5.2m – excluding that classified as held for sale). An inventory provision of £2.1m is held at the period end (2019: £0.1m) following changes in estimates following the disposal of the manufacturing division, where decisions have been made surrounding the viability and continuation of certain brands. 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.	Our audit work included: – 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. – Recalculation of 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. – We investigated 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, especially in understanding the impact of the changes in estimates have had on the gross profit margin of the Group. – 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 Board minutes and other management information that reflect the change in direction and focus of management in their decision-making on such inventory. – Challenge management regarding the split of inventory provision between exceptional (relating to the change in strategy under new management) and continuing operations.

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

Classification of costs as exceptional	Work done
Following the disposal of the manufacturing division and the subsequent change in management, a number of costs were incurred which have been classified as exceptional. £4.0m of costs have been classified as exceptional from continued activities and £1.5m from discontinued activities (excluding the profit on disposal of the manufacturing business). We identified an audit risk that costs are not categorised correctly and as such, underlying results are not presented fairly.	Our audit work included: – Reviewing the substance of transactions and considering the likelihood of recurrence. – Challenging management as to the categorisation of costs within exceptional items. – Corroborating costs to underlying evidence and agreements. – We challenged management regarding the split of the inventory related provisions between exceptional and continuing operations. – Reviewing the disclosures made to ensure users of the financial statements were able understand the nature of the exceptional items.

As a result of the procedures performed, we are satisfied with management's treatment of exceptional costs.

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:	£162,500
Overall Company materiality:	£162,500
Performance materiality:	75% of financial statement materiality
Basis for determination for the Group:	1% of revenue (from continuing operations)
Basis for determination for the Company:	1% of the gross assets (see comments below)
Range of materiality at three components subject to full scope audits:	£5,000–£162,500
Misstatements above which were reported to the Audit Committee:	£5,000

Rationale for the benchmark applied for the Group: We consider revenue from continuing operations as the most appropriate measure for materiality. Based on the benchmarks used in the Annual Report and our assessment of the Group operating in a low margin industry, revenue is a primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.

Rationale for the benchmark applied for the Company: Following the disposal of the manufacturing division, the Company currently is 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 against, 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.

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 of the following active companies during the period:
- one UK trading Parent Company;
- two UK trading subsidiary companies (one wholly owned and one 51% owned);
- one wholly owned Czech Republic based trading subsidiary (disposed of during the period as part of the manufacturing business);
- one wholly owned French based trading subsidiary (disposed of during the period as part of the manufacturing business);
- one wholly owned US based trading subsidiary (disposed of during the period as part of the manufacturing business); and
- one intermediate UK holding company (disposed of during the period as part of the manufacturing business).

Of the Group's six trading components during the period, the three UK based trading companies were subject to full scope audits performed by the Group audit team.

The UK intermediate holding company did not trade in the period to disposal and as such no audit procedures were performed on this entity. The Czech Republic subsidiary only generated revenue from the Parent Company and returned an immaterial result for the period. As such no audit procedures were performed on the entity for the period to disposal. The remaining two overseas components did not generate revenue or incur material expenses for the period to disposal. As such no audit procedures were performed on these entities.

Those components subject to audit and specific audit procedures cover 100% of the Group's revenue from continuing and discontinuing activities and 98% of the Group's consolidated profit after tax from continued and discontinued operations for the period. Our audit work at the component level is executed at levels of materiality appropriate for such components.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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

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, 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 the 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 Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located 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

28 September 2020

Group Statement of Comprehensive Income

For the 52 weeks ended 27 June 2020 and 52 weeks ended 29 June 2019

	Notes	2020 £'000	2019 £'000
Revenue	2	**16,250**	19,676
Cost of sales (including exceptional costs)	3	**(13,069)**	(12,680)
Gross profit		**3,181**	6,996
Commercial and administrative costs		**(5,859)**	(5,016)
Operating (loss)/profit before other exceptional items		**(2,678)**	1,980
Exceptional items	3	**(1,444)**	(48)
Operating (loss)/profit		**(4,122)**	1,932
Finance income	7	**77**	–
Finance expense	8	**(301)**	(144)
(Loss)/profit before taxation	4	**(4,346)**	1,788
Taxation	9	**55**	(198)
(Loss)/profit for the year		**(4,291)**	1,590
Profit on discontinued operations after taxation	28	**6,529**	2,050
Profit for the year		**2,238**	3,640
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liability		**(4,086)**	(4,011)
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(49)**	(35)
Loss on financial assets held at fair value		**–**	(6)
Other comprehensive loss for the year		**(4,135)**	(4,052)
Total comprehensive loss for the year		**(1,897)**	(412)
Profit attributable to:			
Equity shareholders		**2,217**	3,539
Non-controlling interests		**21**	101
Total comprehensive (loss)/income attributable to:			
Equity shareholders		**(1,918)**	(513)
Non-controlling interests		**21**	101
Earnings per share			
– basic	11	**12.9p**	20.7p
– diluted	11	**12.9p**	20.0p
Dividends			
Paid in year (£'000)	10	**745**	1,088
Paid in year (pence per share)	10	**4.35p**	6.35p
Proposed (£'000)		**Nil**	745
Proposed (pence per share)		**Nil**	4.35p

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

Group Statement of Financial Position

For the 52 weeks ended 27 June 2020 and 52 weeks ended 29 June 2019

	Notes	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Property, plant and equipment including right-of-use assets	12	**142**	21
Intangible assets	13	**11,714**	12,817
Deferred tax assets	22	**2,515**	1,714
Total non-current assets		**14,371**	14,552
Current assets			
Inventories	15	**3,724**	5,211
Trade and other receivables	16	**3,969**	3,475
Assets held for resale	28	**–**	22,700
Cash and cash equivalents		**21,240**	381
Current tax receivable		**836**	285
Total current assets		**29,769**	32,052
Total assets		**44,140**	46,604
LIABILITIES			
Current liabilities			
Trade and other payables	17	**4,503**	6,628
Interest-bearing loans and borrowings	18	**1,029**	1,139
Current tax payable		**–**	527
Total current liabilities		**5,532**	8,294
Non-current liabilities			
Interest-bearing loans and borrowings	19	**1,066**	2,091
Post-retirement benefit obligations	26	**13,237**	9,417
Lease liabilities	20	**81**	–
Deferred tax liabilities	22	**1,154**	1,061
Total non-current liabilities		**15,538**	12,569
Total liabilities		**21,070**	20,863
Net assets		**23,070**	25,741
EQUITY			
Share capital	23	**862**	857
Share premium	23	**11,987**	11,987
Revaluation of investment reserve	23	**–**	1,241
Exchange reserve	23	**–**	(147)
Pension remeasurement reserve	23	**(10,588)**	(6,502)
Retained earnings	23	**20,711**	18,160
Equity attributable to holders of the Parent		**22,972**	25,596
Non-controlling interest		**98**	145
Total equity		**23,070**	25,741

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

Approved by the Board on 28 September 2020 and signed on its behalf by

BHynes

Brendan Hynes
Executive Chairman and Company Secretary

Registered number: 01975376

Company Statement of Financial Position

For the 52 weeks ended 27 June 2020 and 52 weeks ended 29 June 2019

	Notes	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Intangible assets	13	**2,949**	3,969
Deferred tax assets	22	**2,515**	1,645
Investments	14	**12,084**	12,084
Total non-current assets		**17,548**	17,698
Current assets			
Trade and other receivables	16	**218**	4
Assets held for resale	28	**–**	22,151
Cash and cash equivalents		**20,499**	147
Current tax receivable		**373**	341
Total current assets		**21,090**	22,643
Total assets		**38,638**	40,341
LIABILITIES			
Current liabilities			
Trade and other payables	17	**5,281**	10,199
Interest-bearing loans and borrowings	18	**1,029**	1,139
Total current liabilities		**6,310**	11,338
Non-current liabilities			
Interest-bearing loans and borrowings	19	**1,066**	2,091
Post-retirement benefit obligations	26	**13,237**	9,417
Total non-current liabilities		**14,303**	11,508
Total liabilities		**20,613**	22,846
Net assets		**18,025**	17,495
EQUITY			
Share capital	23	**862**	857
Share premium	23	**11,987**	11,987
Revaluation of investment reserve	23	**–**	1,241
Capital reserve	23	**467**	467
Pension remeasurement reserve	23	**(10,588)**	(6,502)
Retained earnings	23	**15,297**	9,445
Total equity		**18,025**	17,495

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

Approved by the Board on 28 September 2020 and signed on its behalf by

BHynes

Brendan Hynes
Executive Chairman and Company Secretary

Registered number: 01975376

Group Statement of Changes in Equity

For the 52 weeks ending 27 June 2020 and 52 weeks ending 29 June 2019

	Share capital £'000	Share premium £'000	Revaluation of investment reserve £'000	Exchange reserve £'000	Pension remeasurement reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
Balance as at June 2019	**857**	**11,987**	**1,241**	**(147)**	**(6,502)**	**18,160**	**145**	**25,741**
Dividends	–	–	–	–	–	(745)	(68)	(813)
Issue of new shares	5	–	–	–	–	–	–	5
Non-controlling interest	–	–	–	–	–	–	21	21
Share-based payments (credit)	–	–	–	–	–	(162)	–	(162)
Realisation of exchange differences on sale of subsidiary	–	–	–	196	–	–	–	196
Transactions with owners	5	–	–	196	–	(907)	(47)	(753)
Profit for the year	–	–	–	–	–	2,217	–	2,217
Other comprehensive income:								
Remeasurement of defined benefit liability	–	–	–	–	(4,086)	–	–	(4,086)
Exchange difference on translating foreign operations	–	–	–	(49)	–	–	–	(49)
Realised profit on asset sold	–	–	(1,241)	–	–	1,241	–	–
Total comprehensive income for the year	–	–	(1,241)	(49)	(4,086)	3,458	–	(1,918)
Balance as at June 2020	**862**	**11,987**	**–**	**–**	**(10,588)**	**20,711**	**98**	**23,070**

	Share capital £'000	Share premium £'000	Revaluation of investment reserve £'000	Exchange reserve £'000	Pension remeasurement 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 charge	–	–	–	–	–	254	–	254
Transactions with owners	–	–	–	–	–	(834)	66	(768)
Profit for the year	–	–	–	–	–	3,539	–	3,539
Other comprehensive income:								
Remeasurement of defined benefit liability	–	–	–	–	(4,011)	–	–	(4,011)
Exchange difference on translating foreign operations	–	–	–	(35)	–	–	–	(35)
Gain on available for sale 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

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

Company Statement of Changes in Equity

For the 52 weeks ending 27 June 2020 and 52 weeks ending 29 June 2019

	Share capital £'000	Share premium £'000	Revaluation of investment reserve £'000	Capital reserve £'000	Pension remeasurement reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at June 2019	**857**	**11,987**	**1,241**	**467**	**(6,502)**	**9,445**	**17,495**
Dividends	–	–	–	–	–	(745)	(745)
Issue of new shares	5	–	–	–	–	–	5
Share-based payments	–	–	–	–	–	(162)	(162)
Transactions with owners	5	–	–	–	–	(907)	(902)
Profit for the year	–	–	–	–	–	5,518	5,518
Other comprehensive income:							
Remeasurement of defined benefit liability	–	–	–	–	(4,086)	–	(4,086)
Realised profit on asset sold	–	–	(1,241)	–	–	1,241	–
Total comprehensive income for the year	–	–	(1,241)	–	(4,086)	6,759	1,432
Balance as at June 2020	**862**	**11,987**	**–**	**467**	**(10,588)**	**15,297**	**18,025**

	Share capital £'000	Share premium £'000	Revaluation of investment reserve £'000	Capital reserve £'000	Pension remeasurement reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at June 2018	857	11,987	1,247	467	(2,491)	9,792	21,859
Dividends	–	–	–	–	–	(1,088)	(1,088)
Share-based payments	–	–	–	–	–	254	254
Transactions with owners	–	–	–	–	–	(834)	(834)
Profit for the year	–	–	–	–	–	487	487
Other comprehensive income:							
Remeasurement of defined benefit liability	–	–	–	–	(4,011)	–	(4,011)
Gain on available for sale financial assets	–	–	(6)	–	–	–	(6)
Total comprehensive income for the year	–	–	(6)	–	(4,011)	487	(3,530)
Balance as at June 2019	857	11,987	1,241	467	(6,502)	9,445	17,495

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

Cash Flow Statement

For the 52 weeks ending 27 June 2020 and 52 weeks ending 29 June 2019

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cash flow from operating activities				
Profit before taxation	**2,183**	4,093	**5,627**	461
Depreciation	**93**	1,262	**–**	1,064
Amortisation	**1,204**	944	**1,020**	768
Gain on disposal of subsidiaries	**(8,922)**	–	**(9,015)**	–
Change in value of assets held for resale prior to sale in period	**(3,225)**	–	**(3,681)**	–
Finance income	**(77)**	(1,146)	**(149)**	(1,182)
Finance cost	**324**	389	**278**	382
Decrease/(increase) in inventories	**1,487**	(2,129)	**–**	(877)
Decrease/(increase) in trade and other receivables	**(494)**	1,252	**(214)**	(1,693)
Increase/(decrease) in trade and other payables	**923**	3,059	**(1,562)**	7,712
(Decrease) in share-based payments provision	**(124)**	(221)	**(124)**	(221)
Contributions to defined benefit plans	**(318)**	(282)	**(318)**	(282)
Cash generated from operations	**(6,946)**	7,221	**(8,138)**	6,132
Finance expense paid	**(128)**	(263)	**(82)**	(256)
Taxation paid	**(773)**	(593)	**(50)**	(197)
Net cash flow from operating activities	**(7,847)**	6,365	**(8,270)**	5,679
Cash flow from investing activities				
Investment income received	**–**	1,146	**–**	1,182
Purchase of property, plant and equipment	**(28)**	(1,088)	**–**	(900)
Purchase of intangible assets	**(101)**	(699)	**–**	(699)
Proceeds from the sale of subsidiaries	**35,255**		**35,255**	
Cost associated with disposal of subsidiaries	**(1,315)**	–	**(1,315)**	–
Net cash flow from investing activities	**33,811**	(641)	**33,940**	(417)
Cash flow from financing activities				
Movements in invoice discounting facility	**(3,187)**	(4,027)	**(3,592)**	(3,637)
Finance income received	**77**	–	**149**	–
Repayment of loans	**(1,135)**	(1,127)	**(1,135)**	(1,127)
Lease payments	**(52)**	–	**–**	–
Issue of new shares	**5**	–	**5**	–
Dividends paid	**(813)**	(1,123)	**(745)**	(1,088)
Net cash flow from financing activities	**(5,105)**	(6,277)	**(5,318)**	(5,852)
Net increase/(decrease) in cash and cash equivalents	**20,859**	(553)	**20,352**	(590)
Cash and cash equivalents at beginning of year	**381**	934	**147**	737
Cash and cash equivalents at end of year	**21,240**	381	**20,499**	147

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

Notes to the Accounts

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 on the inside back cover. The nature of the Group's operations and its principal activities are set out in the Strategic Report. The Group draw their accounts up on a 52-week year basis.

Basis of preparation

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

Discontinued activities

As a result of the disposal of the manufacturing business (completed 23 August 2019), these operations have been disclosed as discontinued and the related assets classified as held for sale at the prior year end.

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 profit after tax for the year to June 2020 was £5.518m (2019: profit after tax £0.487m).

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of June 2020. 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 June.

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

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

Intangible assets

(i) Computer software

Computer software is stated at cost less accumulated amortisation. Computer software is amortised on a straight-line basis over the expected useful life of three years.

(ii) Brand names and customer relationships

Brand names and customer relationships acquired are recognised as intangible assets at their fair values (see Note 13).

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

Brand names are considered to have an indefinite life and 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 Cash Generating Unit (CGU) and tested together using a discounted cash flow approach.

Notes to the Accounts 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.

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, generally by reference to the present value of the future net cash flows expected to be derived from that asset.

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. 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. During the period, the Group revised its estimates associated with the recoverable amount of inventory following the reorganisation and refocus of the business (see Note 3). 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.

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 in when assessing the cost of fulfilling a contact, as contracts tend to be satisfied in a period of less than 12 months.

Leased assets

The Group has adopted IFRS 16 'Leases' from 30 June 2019, using the modified retrospective method. Lease liabilities have been recognised in relation to leases which had previously been classified as operating leases under the principles of IAS 17 'Leases'. Comparative information has not been restated and is presented under IAS 17.

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 increase in the present value of the liabilities of the Group's defined benefit pension plans expected to arise from employee service in the year is charged to operating profit. 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.

For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in the profit or loss.

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.

In the prior year, the Group's 13.3% interest in Shanghai Colour Cosmetics Technology Company Limited (SCCTC) (see Note 14) was held at fair value as required under IFRS 9. Gains and losses in respect of this investment were processed through profit and loss but were held in a separate reserve. Fair value was determined by the latest share acquisitions by a third party on an arm's length basis. The interest in SCCTC was disposed of in the year as part of the sale of the manufacturing business.

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

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

Distributions to shareholders

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

Notes to the Accounts continued

Note 1 Significant accounting policies continued

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.

Significant management judgements 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 26. 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 13 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 £13.2m (2019: £9.4m) 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 26.

Carrying value of inventory/inventory provisioning

As part of the business transformation to focus on owned brands business with a new management team, a number of decisions were taken to reshape the brand portfolio, triggering adjustments to these brands and related inventory This business transformation and refocus has resulted in updated estimates in assessing the carrying value of inventory as discussed in the Chairman's Statement.

Inventory provisioning includes a number of judgements and estimates and gives rise to inherent uncertainty. 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 £165,000 would be required at the year end. Equally, if the estimated net realisable value were to increase by 5% the provision would reduce by £165,000.

Impact of new standards adopted during the period

IFRS 16 'Leases'

IFRS 16 represents new requirements for the recognition of operating leases, replacing IAS 17 'Leases'. The new standard requires that certain operating leases are disclosed within the Statement of Financial Position.

The Group has adopted IFRS 16 Leases from 30 June 2019, using the modified retrospective method. Applying this method, the comparative information for FY19 has not been restated. At 30 June 2019, the Group recognised right-of-use assets of £185k and lease liabilities of £185k. The Group has decided not to apply the new guidance to leases whose term will end within 12 months of the date of initial application and leases with a low value. In such cases, the leases will be accounted for as short-term leases and the lease payments associated with them will be recognised as an expense from short-term leases. This included any leases disposed of with the manufacturing business. The following reconciliation to the opening balance for the lease liabilities as at 30 June 2019 is based upon the operating lease obligations as at 29 June 2019:

	£'000
Operating lease obligations at 29 June 2019	2,645
Relief option for short-term leases	(4)
Leases obligations disposed with the manufacturing business	(2,456)
Lease liabilities recognised on transition at 30 June 2019	**185**

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 by the IASB 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. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

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, 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 organically developed 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 2018.
- Manufacturing – the contracted development, formulation and production of quality products for many of the world's leading personal care and beauty brands. Disposal of the manufacturing business completed on 23 August 2019.
- 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.

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 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 the 52 weeks ending 27 June 2020 and the 52 weeks ending 29 June 2019:

52 weeks ended 27 June 2020	Brands £'000	Manufacturing £'000	Eliminations and central costs £'000	Total £'000	2019 Total £'000
UK revenue	13,796	4,841	–	18,637	52,144
International revenue	2,454	2,639	–	5,093	25,194
Revenue – external	16,250	7,480	–	23,730	77,338
Revenue – internal	5	444	(449)	–	–
Total revenue	16,255	7,924	(449)	23,730	77,338
Discontinued operations	–	(7,924)	444	(7,480)	(57,662)
Total revenue continuing operations	16,255	–	(5)	16,250	19,676
Underlying (loss)/profit from operations[1]	1,204	(909)	(1,083)	(788)	4,428
Charge for share-based payments	–	–	(4)	(4)	(115)
Amortisation of acquisition-related intangibles	–	–	(260)	(260)	(260)
Exceptional items included in cost of sales (Note 3)	(2,535)	–	–	(2,535)	–
Other exceptional items (Note 3)	(176)	7,460	(1,268)	6,016	(717)
Net borrowing costs	(46)	(22)	(178)	(246)	757
Tax charge on discontinued operations	–	–	–	–	(255)
Segment profit included in discontinued operations	–	(6,529)	–	(6,529)	(2,050)
(Loss)/profit before taxation	(1,553)	–	(2,793)	(4,346)	1,788
Tax credit/(charge)	328	–	(273)	55	(198)
Profit for the period from continuing activities	(1,225)	–	(3,066)	(4,291)	1,590

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

	Continuing operations – brands £'000	Discontinued operations – manufacturing £'000	Total £'000
Underlying profit/(loss) from operations – operating segments	1,204	(909)	295
Eliminations and central costs	(1,083)	–	(1,083)
Underlying profit/(loss) from operations	121	(909)	(788)

Notes to the Accounts continued

Note 2 Segmental analysis continued

52 weeks ended 29 June 2019	Brands £'000	Manufacturing £'000	Eliminations and central costs £'000	Total £'000	2018 Total £'000
UK revenue	16,381	35,763	–	52,144	51,253
International revenue	3,220	21,974	–	25,194	22,692
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 operations	–	(61,972)	4,310	(57,662)	(52,860)
Total revenue continuing operations	19,676	–	–	19,676	21,085
Underlying profit from operations[1]	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)
Other exceptional items (Note 3)	–	(669)	(48)	(717)	(279)
Net borrowing 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

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

	Continuing operations – brands £'000	Discontinued operations – manufacturing £'000	Total £'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

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

Inter-segment revenue earned by manufacturing from sales to brands is determined on commercial trading terms as if brands were a third-party customer, prior to disposal.

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 27 June 2020	**Brands £'000**	**Manufacturing £'000**	**Eliminations and central costs £'000**	**Total £'000**
Depreciation	**93**	**–**	**–**	**93**
Amortisation/impairment[1]	**16**	**–**	**1,188**	**1,204**

1 Impairment losses of £924,000 in central costs is included in exceptional items.

52 weeks ended 29 June 2019	Brands £'000	Manufacturing £'000	Eliminations and central costs £'000	Total £'000
Depreciation	13	1,249	–	1,262
Amortisation	–	684	260	944

(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. All assets and liabilities in relation to the contract manufacturing business were sold during the period.

(d) Additional entity-wide disclosures

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

Geographical segments	**52 weeks ended 27 June 2020 £'000**	52 weeks ended 29 June 2019 £'000
UK	**18,637**	52,144
Other European Union countries	**2,683**	17,482
Rest of the World	**2,410**	7,712
	23,730	77,338

Geographical segments – continuing operations	**52 weeks ended 27 June 2020 £'000**	52 weeks ended 29 June 2019 £'000
UK	**13,796**	16,456
Other European Union countries	**541**	609
Rest of the World	**1,913**	2,611
	16,250	19,676

In the 52 weeks ended 27 June 2020, the Group had three customers from continuing operations (being the brands business) that exceeded 10% of total revenues, being 26%, 13% and 11% respectively. In the 52 weeks ended 29 June 2019, the Group had three customers that exceeded 10% of total revenues from continuing operations, being 26%, 15% and 11% respectively.

At 2020 year end the Group had non-current assets held overseas of £nil (2019: £2,247,000).

Note 3 Exceptional items

Exceptional charges/(credits) from continuing operations:

	52 weeks ended 27 June 2020 £'000	52 weeks ended 29 June 2019 £'000
Included within cost of sales:		
Inventory related	**2,535**	–
Other exceptional items:		
Impairment/amortisation of Real Shave Company (RSC)	**928**	–
Severance costs (including social security costs)	**311**	–
Consultancy fees	**205**	–
Write back of contingent consideration	**–**	(240)
Guaranteed minimum pensions (GMP) equalisation	**–**	288
	1,444	48
Total exceptional items from continuing operations	**3,979**	48

As discussed in the Chairman's Statement, as part of the business transformation to focus on owned brands business with a new management team, a number of decisions were taken to reshape the brand portfolio, triggering adjustments to these brands and related inventory. This resulted in an exceptional charge of £2.5m which includes provisions for payments due to manufacturers for inventory not expected to be utilised and changes in estimates surrounding the valuation of inventory. These are considered one off and exceptional.

Other exceptional items includes £0.9m impairment of the RSC brand, £0.3m cost in relation to the departure in September of the former CEO and £0.2m exceptional consultancy fees following the reorganisation of the Group.

The prior year exceptional items charge represents a provision of £0.3m made in respect to the GMP equalisation on the Group's defined benefit pension scheme and write back of contingent consideration from the acquisition of Fish which was not required to be paid.

Notes to the Accounts continued

Note 3 Exceptional items continued

Exceptional charges/(credits) from discontinued operations (Note 28):

	52 weeks ended 27 June 2020 £'000	52 weeks ended 29 June 2019 £'000
Other exceptional items:		
Profit on disposal of the manufacturing business	**(8,922)**	–
Deal related costs	**–**	669
Bonus payments	**1,116**	–
Inventory write offs and disposal costs	**346**	–
	(7,460)	669

The year ended 27 June 2020 exceptional items income includes £8.9m profit on disposal of the manufacturing business, £1.1m employee bonuses paid out following disposal of the manufacturing business, and £0.3m relating to inventory disposals which were intrinsically linked with the manufacturing business.

Exceptional items included within the prior year related to the disposal of the manufacturing business of £0.7m.

Note 4 Profit before taxation

	2020 £'000	2019 £'000
(a) This is stated after charging/(crediting)		
Depreciation of property, plant and equipment of purchased assets	**93**	1,262
Amortisation of intangible assets	**276**	944
Impairment of intangible assets (classified as exceptional – Note 3)	**928**	–
Research	**177**	1,039
Foreign exchange (gains)/losses	**3**	(37)
Gain on disposal of subsidiaries	**8,922**	–
Amounts expensed for short-term and low-value leases	**5**	–
(b) Auditors' remuneration		
Audit services:		
Audit of the Company financial statements	**41**	35
Audit of subsidiary undertakings	**11**	12
Audit related services:		
Interim review	**7**	–
Other non-audit services:		
Corporate finance advice	**9**	–

Note 5 Staff costs

	2020 £'000	2019 £'000
Wages and salaries	**2,928**	13,846
Social security costs	**337**	1,602
Other pension costs	**153**	928
	3,418	16,376

The above table excludes wages and salaries included within Exceptional Items (being severance costs and employee bonuses paid on completion – see Note 3).

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

	2020 Number	2019 Number
Production	**61**	437
Distribution	**2**	104
Administration	**44**	45
	107	586

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

	Salary/fees £'000	Bonuses paid on completion of sale of manufacturing business[1] £'000	Settlement costs[2] £'000	LTIP – phantom (cash-settled) options £'000	Pension contributions £'000	Total 2020 £'000	Total 2019 £'000
Executive directors							
T J Perman	64	285	275	–	–	**624**	337
J M Fletcher	27	170	–	48	6	**251**	174
M Gazzard	28	170	–	–	3	**201**	157
Q G A Higham	30	–	–	–	–	**30**	–
T R J Carter	–	–	–	–	–	**–**	–
Non-executive directors							
B M Hynes	76	–	–	–	–	**76**	60
E J Beale	28	–	–	–	–	**28**	29
R S McDowell	29	–	–	–	–	**29**	29
F P Berrebi (resigned 29 June 2019)	1	–	–	–	–	**1**	29
Individuals considered as key management							
C G How (interim CEO[3])	125	–	–	186	–	**311**	–
	408	625	275	234	9	**1,551**	815

1 Bonuses paid on completion of the sale of the manufacturing business are included as exceptional costs in discontinued operations.
2 Settlement costs are included as exceptional costs in continuing operations.
3 C G How, since the balance sheet date has been appointed as a non-executive director but was considered key management during the period as he was interim CEO.

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

	Number of share options at June 2019	Number of share options lapsed in year	Number of share options cancelled in year	Number of share options exercised in the year	Number of share options at June 2020	Exercise price	Earliest exercise date	Exercise expiry date
C G How	31,072	–	(31,072)	–	**–**	Nil	16/7/19[1]	15/7/26
J M Fletcher	22,717	–	–	(22,717)	**–**	Nil	16/7/19[1]	15/7/26
M W Warren	11,358	–	–	(11,358)	**–**	Nil	16/7/19[1]	15/7/26
T J Perman	77,160	(77,160)	–	–	**–**	5p	19/6/21	18/6/28
J M Fletcher	77,160	(38,580)	–	(38,580)	**–**	5p	19/6/21	18/6/28
M Gazzard	57,870	(35,365)	–	(22,505)	**–**	5p	19/6/21	18/6/28
Total share options	277,337	(151,105)	(31,072)	(95,160)	**–**			
Phantom share options:								
C G How	31,072	–	–	(31,072)	**–**	Nil	16/7/19[1]	15/7/26
J M Fletcher	22,717	–	–	(22,717)	**–**	Nil	16/7/19[1]	15/7/26
M W Warren	11,358	–	–	(11,358)	**–**	Nil	16/7/19[1]	15/7/26
Total phantom	65,147	–	–	(65,147)	**–**			

1 Share options exercised early following approval from the Remuneration Committee.

The mid-market price of the ordinary shares on 27 June 2020 was 125.0p (2019: 192.5p) and the range during the 52 weeks to 27 June 2020 was 97.5p to 245.0p (52 weeks to 29 June 2019: 172.5p to 322.5p).

Notes to the Accounts continued

Note 6 Share-based employee remuneration

Executive and Managers Share Option Scheme

The Group operates both approved and unapproved share option schemes.

All executive schemes have been fully settled by the year ended 27 June 2020.

There have been no new options granted during the course of the financial year to 27 June 2020.

Date of grant	Number of share options granted	Number of phantom options granted	Exercise price	Fair value pence	Amount expensed in year ended June 2020 £'000	Period of expense
5 December 2015 – managers phantom share options	–	20,000	155.0p	154p	(34)	3 years
15 July 2016 – executive share options	80,451	–	Nil	125p	(54)	3 years
15 July 2016 – executive cash-settled share options	–	80,451	Nil	210p	200	3 years
16 June 2017 – managers share options	231,000	–	367.5p	125p	(73)	3 years
18 June 2018 – executive share options	212,190	–	5p	125p	(35)	3 years
Total options granted	**523,641**	**100,451**			**4**	
Charge relating to options granted in prior years					(162)	
Charge relating to phantoms granted in prior years					166	
Charge relating to options granted in the current year					–	
Charge included in administration expenses					**4**	

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 share options. This model was developed by the QCA partnered with Independent Remuneration Solutions (IRS) and City Group P.L.C. The development was led by Mr Edward Beale, a director of the Group, and at that time Chief Executive of City Group P.L.C.

Year ended June 2017 awards

All of the options granted under the long-term incentive plan (LTIP) on 15 July 2016 had two performance conditions attached to them. The first 50% of the award was linked to certain share price targets and the remaining 50% was linked to earning per share targets. To the extent that both of the performance conditions were met at the end of the three-year performance cycle, then the options could be exercised at nil cost. Upon vesting, half of each award would be made in shares with the balance being made in cash. The entire share option and phantom share option awards have been fully settled by the year ended 27 June 2020.

The managers share options were issued on 16 June 2017 under a Company Share Option Scheme (CSOP), and have an exercise price of 367.5p and no performance conditions attached, with vesting after a minimum of three years and a maximum of 10 years. Following the disposal of the manufacturing business, the majority of these options lapsed and at the year ended 27 June 2020 only 34,000 of these options remain in place.

Period ended June 2018 awards

All of the options granted under the LTIP on 18 June 2018 had performance conditions attached to them which were linked to earning per share targets. To the extent that the performance conditions were met at the end of the three-year performance cycle, then the options could be exercised at a cost of 5p per share. Upon vesting, the award would be made in shares. The entire share option awards have been fully settled by the year ended 27 June 2020.

The total number of ordinary shares subject to options and which could, in the future, be issued is 34,000. This represents 0.20% of the issued share capital of the Company which comprised 17,230,702 ordinary shares at the reporting date.

Detailed in Note 5 is a summary of awards outstanding at the end of the year for directors and former directors.

Note 7 Finance income

Total	**2020 £'000**	2019 £'000
Bank interest receivable	**77**	–
Income from investments	**–**	1,146
	77	1,146

Continuing operations	**2020 £'000**	2019 £'000
Bank interest receivable	**77**	–
	77	–

Note 8 Finance costs

	2020 £'000	2019 £'000
Bank loans, overdrafts and lease interest	**128**	263
Pension plan notional finance charge	**196**	126
	324	389

Continuing operations	**2020 £'000**	2019 £'000
Bank loans, overdrafts and lease interest	**105**	18
Pension plan notional finance charge	**196**	126
	301	144

Included within bank loans, overdrafts and lease interest is an interest charge of £2,000 in relation to leases associated with right-of-use assets.

Note 9 Taxation

(a) Analysis of tax charge in the year

	2020 £'000	2019 £'000
UK corporation tax:		
– on profit for the year	**14**	528
– adjustment in respect of previous years	**(323)**	(171)
– foreign tax	**–**	77
Total current tax (credit)/charge	**(309)**	434
Deferred tax:		
– current year (credit)	**(283)**	(28)
– prior year charge/(credit)	**115**	47
– effect of tax rate change on opening balance	**(122)**	–
– non-recognition of deferred tax asset for losses	**544**	–
Total deferred tax (credit)/charge	**254**	19
Tax (credit)/charge	**(55)**	453

Total tax credit of £55,000 (2019: tax charge £453,000) comprised tax credit on continuing operations of £55,000 (2019: tax charge £198,000) plus tax on discontinued operations of £nil (2019: tax charge £255,000).

Notes to the Accounts continued

Note 9 Taxation continued

(b) Factors affecting total tax charge for the year

The tax assessed on the profit before taxation for the year is lower (2019: lower) than the standard rate of UK corporation tax of 19.00% (2019: 19.00%). The differences are reconciled below:

	2020 £'000	2019 £'000
Profit before taxation (from continuing and discontinued operations)	**2,183**	4,093
Tax at the applicable rate of 19.00% (2019: 19.00%)	**415**	778
Effect of:		
Adjustment in respect of previous years	**(208)**	(124)
Income not taxable for tax purposes	**(806)**	–
Adjustment to deferred tax	**–**	(7)
Deferred tax asset not recognised on taxable losses	**544**	
Differences between UK and foreign tax rates	**–**	10
Permanent differences and other	**–**	(168)
R&D tax credit	**–**	(36)
Actual tax charge	**(55)**	453

The Group has tax losses of £2.9m (2019: £nil) which have not been recognised as there is no certainty that they can be utilised.

Note 10 Payments to shareholders

	2020 £'000	2019 £'000
Final dividend paid – 4.35p (2019: 4.2p) per share	**745**	720
Interim dividend paid – £nil (2019: 2.15p) per share	**–**	368
	745	1,088

In addition, a dividend payment was made to the non-controlling interest of £68,000 (2019: £35,000).

Following the sale of the manufacturing business and subsequent reorganisation, the Group has not delivered an operating profit this year. Accordingly, the Board will not be proposing a final dividend. The payment of the interim dividend was cancelled as a result of uncertainty following the coronavirus outbreak.

Note 11 Earnings per share

	2020	2019
Basic and diluted		
Profit for the year attributable to equity holders (£'000)	**2,217**	3,539
(Loss)/profit for the year (£'000) continuing operations attributable to equity holders	**(4,312)**	1,489
Basic weighted average number of ordinary shares in issue during the year	**17,143,646**	17,135,542
Diluted number of shares	**17,143,646**	17,659,183
Basic earnings per share	**12.9p**	20.7p
Diluted earnings per share	**12.9p**	20.0p
Basic (loss)/earnings per share continuing operations	**(25.2)p**	8.7p
Diluted (loss)/earnings per share continuing operations	**(25.2)p**	8.4p

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 27 June 2020 and 29 June 2019 respectively.

Note 12 Property, plant and equipment

Group	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost:			
At June 2018	7,610	26,107	33,717
Exchange movements	–	23	23
Additions	–	1,088	1,088
Transfers to assets held for sale	(7,610)	(23,033)	(30,643)
Disposals	–	(4,145)	(4,145)
At June 2019	–	40	40
IFRS 16 – right-of-use assets recognised on transition	**–**	**186**	**186**
Additions	**–**	**28**	**28**
At June 2020	**–**	**254**	**254**
Depreciation:			
At June 2018	3,053	19,226	22,279
Exchange movements	–	76	76
Provided during the year	108	1,154	1,262
Transfers to assets held for sale	(3,161)	(16,292)	(19,453)
Disposals	–	(4,145)	(4,145)
At June 2019	–	19	19
Provided during the year	**–**	**93**	**93**
Disposals	**–**	**–**	**–**
At June 2020	**–**	**112**	**112**
Net book value:			
At June 2020	**–**	**142**	**142**
At June 2019	–	21	21

Included within plant and machinery are right-of-use assets with a book value of £134,000 (2019: £nil). Depreciation of £52,000 has been charged on these assets.

Company	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost:			
At June 2018	7,610	23,098	30,708
Additions	–	900	900
Transfers to assets held for sale	(7,610)	(19,853)	(27,463)
Disposals	–	(4,145)	(4,145)
At June 2019	–	–	–
Additions	–	–	–
At June 2020	**–**	**–**	**–**
Depreciation:			
At June 2018	3,052	17,163	20,215
Provided during the year	108	956	1,064
Transfers to assets held for sale	(3,160)	(13,974)	(17,134)
Disposals	–	(4,145)	(4,145)
At June 2019	–	–	–
Provided during the year	**–**	**–**	**–**
At June 2020	**–**	**–**	**–**
Net book value:			
At June 2020	**–**	**–**	**–**
At June 2019	–	–	–

Notes to the Accounts continued

Note 13 Intangible assets

Group	Software £'000	Research and development £'000	Brand names £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost:						
At June 2018	792	759	8,715	2,126	2,618	15,010
Additions	4	695	–	–	–	699
Transfers to assets held for sale	(686)	(770)	–	–	–	(1,456)
Disposals	(110)	(684)	–	–	–	(794)
At June 2019	–	–	8,715	2,126	2,618	13,459
Additions	**101**	**–**	**–**	**–**	**–**	**101**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**
At June 2020	**101**	**–**	**8,715**	**2,126**	**2,618**	**13,560**
Amortisation:						
At June 2018	717	42	–	399	–	1,158
Provided during the year	17	684	–	243	–	944
Transfers to assets held for sale	(624)	(42)	–	–	–	(666)
Disposals	(110)	(684)	–	–	–	(794)
At June 2019	–	–	–	642	–	642
Provided during the year	**16**	**–**	**924**	**260**	**–**	**276**
Impairment charge during the year	**–**	**–**	**924**	**4**	**–**	**928**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**
At June 2020	**16**	**–**	**924**	**906**	**–**	**1,846**
Net book value:						
At June 2020	**85**	**–**	**7,791**	**1,220**	**2,618**	**11,714**
At June 2019	–	–	8,715	1,484	2,618	12,817

Company	Software £'000	Research and development £'000	Brand names £'000	Customer relationships £'000	Total £'000
Cost:					
At June 2018	792	759	3,624	480	5,655
Additions	4	695	–	–	699
Transfers to assets held for sale	(686)	(770)	–	–	(1,456)
Disposals	(110)	(684)	–	–	(794)
At June 2019	–	–	3,624	480	4,104
Additions	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**–**	**–**	**–**
At June 2020	**–**	**–**	**3,624**	**480**	**4,104**
Amortisation:					
At June 2018	717	42	–	68	827
Provided during the year	17	684	–	67	768
Transfers to assets held for sale	(624)	(42)	–	–	(666)
Disposals	(110)	(684)	–	–	(794)
At June 2019	–	–	–	135	135
Provided during the year	**–**	**–**	**–**	**92**	**92**
Impairment charge during the year	**–**	**–**	**924**	**4**	**928**
Disposals	**–**	**–**	**–**	**–**	**–**
At June 2020	**–**	**–**	**924**	**231**	**1,155**
Net book value:					
At June 2020	**–**	**–**	**2,700**	**249**	**2,949**
At June 2019	–	–	3,624	345	3,969

Impairment testing

The three Brands (Brand Architekts, The Real Shaving Company and Fish) and associated goodwill have been tested for impairment. Brand Architekts and Fish gave valuations in excess of their carrying values, however the The Real Shaving Company was fully impaired reflecting the uncertain outlook for the brand. Sensitivity analysis were carried out on both Brand Architekts and Fish to ascertain whether any reasonable change in assumptions would cause an impairment, no such impairment was found.

As previously the recoverable amount of each brand was determined based on value-in-use calculations, covering underlying one to two-year forecasts, followed by an extrapolation of expected cash flows for the remaining useful life using growth assumptions determined by management.

The present value of the expected cash flows is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the brand. The discount rate applied is a pre-tax 6%.

Growth assumptions

Management have targeted growth of up to 14% as part of the Project 50 strategic plan. However management have used a 1.2% sensitised growth rate for impairment purposes.

Discount rates

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

Cash flow assumptions

Management's key assumptions include stable 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 that are not amortised are the Brand Architekts brand name £5,091,000, and the Fish brand name £2,700,000.

Note 14 Investments

For the 52 weeks ending 27 June 2020 and 52 weeks ending 29 June 2019:

Group	**2020 £'000**	2019 £'000
Equity investments held at fair value		
Cost:		
Opening position	**–**	1,391
Revaluation	**–**	(6)
Transfer to assets held for sale	**–**	(1,385)
Closing position	**–**	–

Company	**Equity investment held at fair value £'000**	**Investments in subsidiaries £'000**	**2020 Total £'000**	2019 Total £'000
Cost:				
Opening position	**–**	**18,318**	**18,318**	19,709
Additions	**–**	**–**	**–**	–
Revaluation	**–**	**–**	**–**	(6)
Transfer to assets held for sale	**–**	**–**	**–**	(1,385)
Closing position	**–**	**18,318**	**18,318**	18,318
Provision for impairment:				
Opening position	**–**	**(6,234)**	**(6,234)**	(6,234)
Closing position	**–**	**(6,234)**	**(6,234)**	(6,234)
Net book value	**–**	**12,084**	**12,084**	12,084

Notes to the Accounts continued

Note 14 Investments continued

The Company owns 100% of the voting rights and ordinary shares of the following subsidiary undertakings, except as indicated below:

Name of company	Country of registration	Nature of business
Aerosols International Limited	England	Dormant
Atlas Group Limited	England	Dormant
Atlas Pencil (Sales) Limited	England	Dormant
Bagsy Beauty Limited	England	Dormant
Brand Architekts Consumer Products Limited	England	Dormant
Fish London Limited	England	Dormant
The Yellow Can Company Limited	England	Dormant
Tru Products Limited	England	Dormant
The Brand Architekts Limited	England	Trading
MR. Haircare Limited – 51%	England	Trading

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

The registered office of each subsidiary is the same as that of Brand Architekts Group plc.

During the year the Company disposed of its interests in Curzon Supplies Limited, Swallowfield Consumer Products Limited, Swallowfield SARL, Swallowfield s.r.o. and Swallowfield Inc. as part of the disposal of the manufacturing business. See Note 28.

Note 15 Inventories

Group	2020 £'000	2019 £'000
Raw materials	**27**	496
Finished goods and goods for resale	**3,697**	4,715
	3,724	5,211

The Group consumed inventories (from continuing and discontinued operations) totalling £16.3m during the year (2019: £53.7m). No items are being carried at fair value less cost to sell (2019: £nil).

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

	2020 £'000
Opening balance	**73**
Charged to profit and loss	**1,982**
Closing balance	**2,055**

£1,681,000 of the amount charged to profit and loss in the year has been recognised within exceptional cost of sales, as further discussed in Note 3.

£301,000 of the amount charged to profit and loss in the year has been recognised within exceptional items within discontinued operations as the brand was intrinsically linked with the manufacturing business.

Note 16 Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade receivables	**3,665**	3,325	**–**	–
Amounts owed by Group undertakings	**–**	–	**193**	4
Other receivables	**170**	5	**3**	–
Prepayments	**134**	145	**22**	–
	3,969	3,475	**218**	4

The amounts owed by Group undertakings relate to inter-company receivables.

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

Group	2020 £'000	2019 £'000
Opening balance	**–**	12
Impairment loss recognised	**(11)**	(12)
Charged to profit and loss	**54**	–
Closing balance	**43**	–

An allowance has been made for estimated irrecoverable amounts of £43,000 (2019: £nil). 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 1.2% (2019: 0.4%). The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Ageing of trade receivables:

Group	2020 £'000	2019 £'000
Current	**3,098**	3,091
Overdue but less than 90 days	**482**	213
More than 90 days overdue	**85**	21
	3,665	3,325

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 17 Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade payables	**1,376**	1,561	**64**	–
Amounts owed to subsidiaries	**–**	–	**4,917**	6,297
Other taxes and social security costs	**412**	109	**–**	–
Accruals	**1,497**	515	**287**	186
Share-based payments accrual	**–**	124	**–**	124
Commercial Invoice Discounting facility	**1,132**	4,319	**–**	3,592
Lease liabilities	**52**	–	**–**	–
Other payables	**34**	–	**13**	–
	4,503	6,628	**5,281**	10,199

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

The Commercial Invoice Discounting (CID) facility allows a regular drawdown of cash funds in sterling and foreign currencies, and is secured on the book debts of the Group. This facility carries an interest rate of 1.5% over base and is repayable on demand.

Notes to the Accounts continued

Note 18 Interest-bearing loans and borrowings – amounts falling due within one year

Group and Company	2020 £'000	2019 £'000
Secured loans	**1,029**	1,139

The directors consider that the carrying value of bank loans and overdrafts approximates to their fair value.

Note 19 Interest-bearing loans and borrowings – amounts falling due after more than one year

Loans are repayable by instalments as follows:

Group and Company	2020 £'000	2019 £'000
Secured loans:		
Between one and two years	**650**	1,022
Between two and five years	**416**	1,069
	1,066	2,091

The Group's loan facilities are secured by fixed and floating charges over all of the Group's assets. The loans are over fixed terms with between one and three years remaining at a fixed annual interest rate of 2.35%.

Note 20 Lease liabilities

At the Statement of Financial Position date, the Group had outstanding commitments for leases:

Group	2020 £'000
Within one year	**52**
In the second to fifth years inclusive	**81**
	133

No comparative information has been provided as the Group have adopted the modified retrospective approach to transition of IFRS 16 (see Note 1).

The Company had no lease liabilities at the period end date.

Note 21 Financial instruments

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, and prior to the disposal of the manufacturing business, also held bank accounts denominated in Czech koruna and Chinese renminbi. 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 finances its operations through a mixture of debt and equity.

The Group's loan borrowings bear interest at rates based on the bank's base rate. The Group Statement of Financial Position also includes financial assets in the form of cash at bank and in hand totalling £21,240,000 (2019: £381,000) which are exposed to floating interest rates based on bank base rates.

A 0.5% increase in bank base rates would reduce pre-tax profits by £63,000 in the period. A 0.5% decrease would have the opposite effect.

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 prior to the disposal of the manufacturing business, also using bank facilities denominated in Czech koruna and Chinese renminbi 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 7% (2019: 13%) of the Group's total sales in the year were invoiced in euros and 10% (2019: 18%) in US dollars. For continuing operations only, approximately 1% of the Group's sales in the year were invoiced in euros and 8% 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.

At 27 June 2020, there were sums totalling £403,000 (2019: £247,000) held in foreign currency bank accounts.

A 5% weakening of sterling would result in a £22,000 increase in reported profits and equity, while a 5% strengthening of sterling would result in a £21,000 decrease 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:

	27 June 2020			
	Current		Non-current	
Group	Within 6 months £'000	6 –12 months £'000	1 – 5 years £'000	Over 5 years £'000
Loans and payables (including interest)	**528**	**528**	**1,081**	**–**
Financial liabilities at amortised cost through profit or loss	**4,503**	**–**	**–**	**–**
	5,031	**528**	**1,081**	**–**

	27 June 2020			
	Current		Non-Current	
Company	Within 6 months £'000	6 –12 months £'000	1 – 5 years £'000	Over 5 years £'000
Loans and payables (including interest)	**528**	**528**	**1,081**	**–**
Financial liabilities at amortised cost through profit or loss	**5,281**	**–**	**–**	**–**
	5,809	**528**	**1,081**	**–**

	29 June 2019			
	Current		Non-current	
Group	Within 6 months £'000	6 –12 months £'000	1 – 5 years £'000	Over 5 years £'000
Loans and payables (including interest)	604	591	2,143	–
Financial liabilities at amortised cost through profit or loss	20,412	–	–	–
	21,016	591	2,143	–

	29 June 2019			
	Current		Non-Current	
Company	Within 6 months £'000	6 –12 months £'000	1 – 5 years £'000	Over 5 years £'000
Loans and payables (including interest)	604	591	2,143	–
Financial liabilities at amortised cost through profit or loss	17,091	–	–	–
	17,695	591	2,143	–

No gains or losses have been recognised in the period in respect of financial liabilities held at amortised cost.

Notes to the Accounts continued

Note 21 Financial instruments continued

Working capital

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

The Group had £3.9m (2019: £10.7m) undrawn committed borrowing facilities available at June 2020. Including cash in hand this gives headroom of £24.1m. The maturity profile of committed bank facilities is regularly reviewed and such facilities are extended or replaced well in advance of their expiry.

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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Financial assets

Financial assets included in the Statement of Financial Position relate to the following IFRS 9 categories:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Loans and receivables	**25,209**	15,730	**20,717**	12,222
Fair value through profit or loss	**–**	1,385	**–**	1,385
	25,209	17,115	**20,717**	13,607

No gains or losses have been recognised in the period in respect of financial assets held at amortised cost. The asset held at fair value through profit and loss was disposed of in the year as part of the sale of the manufacturing business.

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Non-current assets:				
Investments	**–**	1,385	**–**	1,385
Current assets:				
Trade receivables	**3,665**	15,317	**–**	11,992
Other receivables	**304**	32	**25**	79
Inter-company receivables	**–**	–	**193**	4
Cash and cash equivalents	**21,240**	381	**20,499**	147
	25,209	17,115	**20,717**	13,607

Financial liabilities

Financial liabilities included in the Statement of Financial Position relate to the following categories (including those held for sale at the period end – see Note 28):

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current liabilities:				
Borrowings	**1,029**	1,139	**1,029**	1,139
Trade payables	**1,376**	14,865	**64**	13,209
Inter-company payables	**–**	–	**4,917**	8,953
Accruals	**1,497**	1,986	**287**	1,350
Other payables	**1,624**	4,319	**11**	3,592
Non-current liabilities:				
Borrowings	**1,066**	2,091	**1,066**	2,091
	6,592	24,400	**7,374**	30,334

Note 22 Deferred tax

The movement in deferred tax provisions is analysed as follows:

	£'000
Group	
Deferred taxation	
At June 2018 net liability	752
Recognised in profit or loss	19
Recognised in other comprehensive income	(857)
Temporary exchange differences	(4)
At June 2019 (net asset)	(90)
Recognised in profit or loss[1]	**(312)**
Recognised in other comprehensive income	**(959)**
Temporary exchange differences	**–**
At June 2020 (net asset)	**(1,361)**

	2020 £'000	2019 £'000
Deferred tax is represented by:		
Differences between book value and tax written down value	**1,154**	1,566
Temporary difference on post retirement benefit obligations	**(2,515)**	(1,601)
Other temporary differences	**–**	(55)
	(1,361)	(90)
Recognised as:		
Deferred tax assets	**(2,515)**	(1,714)
Deferred tax liabilities	**1,154**	1,061
Deferred tax liability held for resale	**–**	563
	(1,361)	(90)
Company		
Deferred taxation		
At June 2018 (net asset)	**–**	(396)
Recognised in profit or loss	**–**	105
Recognised in other comprehensive income	**–**	(857)
At June 2019 (net asset)	**–**	(1,148)
Recognised in profit or loss[1]	**–**	(408)
Recognised in other comprehensive income	**–**	(959)
At June 2020	**–**	(2,515)

	2020 £'000	2019 £'000
Deferred tax is represented by:		
Capital allowances in advance of depreciation	**–**	506
Temporary difference on post-retirement benefit obligations	**(2,515)**	(1,601)
Other temporary differences	**–**	(53)
	(2,515)	(1,148)
Recognised as:		
Deferred tax assets	**(2,515)**	(1,645)
Deferred tax (asset)/liability held for resale	**–**	497
	(2,515)	(1,148)

1 Amounts recognised within profit and loss include £561,000 of deferred tax liabilities disposed of with the manufacturing business (processed through the profit on disposal – see Note 28).

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

Deferred tax has been provided for based on a tax rate of 19% (2019: 17%).

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 £2.9m (2019: £nil for Group and Company) for which no deferred tax asset has been recognised.

Notes to the Accounts continued

Note 23 Share capital and reserves

	2020 £'000	2019 £'000
Equity ordinary share capital		
Authorised share capital 25,800,000 shares of 5p each	**1,290**	1,290
Allotted, called-up and fully paid ordinary shares at 29 June 20 and 29 June 2019	**862**	857

Shares in issue
On 28 May 2020, 95,160 shares were issued following the vesting of options granted to certain former directors of the Company under the Company's LTIP Plan in 2016 and 2018, increasing the number of ordinary shares in issue to 17,230,702 (2019: 17,135,542).

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

Revaluation of investment reserve
The prior year balance relates to the Group's total shareholding in the Chinese business, SCCTC, of 13.3%. In line with IFRS 9, the equity instrument was held at fair value. Gains and losses were held in a separate reserve. This was disposed of on 23 August 2019, as part of the manufacturing business, and the balance has been reclassified to profit and loss.

Exchange reserve
The prior year balance relates to 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. This was disposed of on 23 August 2019, as part of the manufacturing business, and the balance has been included within the profit on disposal calculation and recycled to profit and loss.

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

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

Note 24 Notes to Cash Flow Statement

Group

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

	2020 £'000	2019 £'000
Increase/(decrease) in cash and cash equivalents	**20,859**	(553)
Net cash outflow from decrease in borrowings	**4,322**	5,154
Change in net cash/(debt)	**25,181**	4,601
Opening net (debt)	**(7,168)**	(11,769)
Closing net cash/(debt)	**18,013**	(7,168)

(b) Analysis of net cash/(debt):

	Closing 2019 £'000	Cash flow £'000	Non-cash movement £'000	Closing 2020 £'000
Cash at bank and in hand	381	**20,858**	**1**	**21,240**
CID facility	(4,319)	**3,187**	**–**	**(1,132)**
Borrowings due within one year	(1,139)	**110**	**–**	**(1,029)**
Borrowings due after one year	(2,091)	**1,025**	**–**	**(1,066)**
	(7,168)	**25,180**	**1**	**18,013**

Company

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

	2020 £'000	2019 £'000
Increase/(decrease) in cash and cash equivalents	**20,352**	(590)
Net cash outflow/(inflow) from decrease/(increase) in borrowings	**4,727**	4,764
Change in net cash/(debt)	**25,079**	4,174
Opening net cash/(debt)	**(6,675)**	(10,849)
Closing net cash/(debt)	**18,404**	(6,675)

(b) Analysis of net cash/(debt):

	Closing 2019 £'000	Cash flow £'000	Non-cash movement £'000	Closing 2020 £'000
Cash at bank and in hand	147	**20,352**	**–**	**20,499**
Secured debt facility	(3,592)	**3,592**	**–**	**–**
Borrowings due within one year	(1,139)	**110**	**–**	**(1,029)**
Borrowings due after one year	(2,091)	**1,025**	**–**	**(1,066)**
	(6,675)	**25,079**	**–**	**18,404**

Note 25 Capital commitments

Group and Company	2020 £'000	2019 £'000
Contracted for but not provided	**–**	198

Note 26 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 £120,000 (2019: £840,000) of which £35,000 related to continuing and £85,000 related to discontinued operations. Employer contributions to these plans varied between 2% and 7% 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. This commitment will be reviewed and may be altered once the results of the next triennial valuation of the Fund at 5 April 2020 have been finalised. An increase in contributions is expected. Triennial valuations are prepared using a different basis to the IAS 19 valuation of liabilities, and the IAS 19 valuation included in these accounts does not provide any indication of what the outcome of the triennial funding valuation might be. As at the date of signing of these accounts, the triennial valuation of the Fund at 5 April 2020 is still in progress.

Notes to the Accounts continued

Note 26 Post-retirement benefits continued

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

	2020 £'000	2019 £'000
Company pension contributions	**–**	–
Deficit recovery payments	**318**	282
Plan administrative expenses	**121**	179
Pension Protection Fund premium	**121**	108
Total	**560**	569

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

	2020 £'000	2019 £'000
In operating profit:		
Company pension contributions	**–**	–
Plan administrative expenses	**121**	179
Pension Protection Fund premium	**121**	108
	242	287
In exceptional items (Note 3):		
Past service charge – GMP equalisation	**–**	290
Past service measurement gain on pension scheme – included in profit on disposal of manufacturing business – see Note 28	**(1,103)**	–
In finance costs:		
Unwinding of notional discount factor	**196**	126
Total	**(665)**	703

The deficit reduction payment will be £318,000 per annum for seven years to 2025 and £210,000 for a further three years to 2028. The amount payable is expected to increase once the outcome of the April 2020 valuation has been finalised.

Anticipated payments by the Company in respect of Plan administrative expenses and the Pension Protection Fund premium in the year ending 26 June 2021 are expected to be of a similar order of magnitude to payments in 2020.

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 IAS 19 on the Statement of Financial Position at June 2020 are:

	2020 £'000
Increase in pension and other benefit obligations	**(5,045)**
Increase in related deferred tax asset	**959**
Decrease in equity	**(4,086)**

The accounting standards require the discount rate 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 often used as a proxy to determine the discount rate. At the reporting date, the yields on bonds were lower than they were at June 2019. This has resulted in lower discount rates being adopted for accounting purposes as compared to last year which has translated into an increased liability.

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

	2020	2019
Discount rate	**1.50%**	2.40%
Inflation assumption (RPI)	**2.75%**	3.10%
Inflation assumption (CPI)	**1.85%**	2.10%
Deferred revaluation for benefits in excess of GMP		
Employed deferred members	**n/a**	2.60%
Deferred members	**1.85%**	2.10%
Rate of increase in pensions in payment:		
CPI, max 3%	**1.74%**	1.91%
RPI, max 5%	**2.73%**	3.04%
RPI, max 2.5%	**2.06%**	2.18%
Mortality assumptions:		
Life expectancy of male aged 65 now	**21.0**	20.9
Life expectancy of female aged 65 now	**23.3**	23.1
Life expectancy of male aged 65 in 20 years	**22.4**	22.2
Life expectancy of female aged 65 in 20 years	**24.8**	24.6

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:

	2020 Market value £'000	2019 Market value £'000
Equities	**8,343**	9,188
Property	**1,628**	1,652
Index linked gilts	**2,639**	2,449
Corporate bonds	**2,011**	1,954
Diversified growth funds	**6,728**	6,686
LDI funds	**2,278**	1,903
Other	**460**	313
Fair value of Plan assets	**24,087**	24,145

The actual return on Plan assets was an increase of £472,000 (2019: increase £1,518,000).

The Plan assets do not include any of the Company's own financial instruments, nor any property occupied by, or assets used by, the Company.

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

	2020 £'000	2019 £'000
Present value of funded obligations	**(37,324)**	(33,562)
Fair value of Plan assets	**24,087**	24,145
(Deficit)	**(13,237)**	(9,417)
Net liability recognised in the Statement of Financial Position	**(13,237)**	(9,417)

Notes to the Accounts continued

Note 26 Post-retirement benefits continued

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

	2020 £'000	2019 £'000
Benefit obligation at beginning of year	**(33,562)**	(27,502)
Movement in the year:		
Notional finance cost	**(769)**	(770)
Actuarial gains/(losses) – financial	**(4,936)**	(3,320)
Actuarial gains/(losses) – demographic	**(92)**	(260)
Actuarial gains/(losses) – experience	**84**	(2,106)
Past service cost	**1,103**	(290)
Net benefits paid out	**848**	686
Benefit obligation at end of year	**(37,324)**	(33,562)

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

	2020 £'000	2019 £'000
Fair value of Plan assets at beginning of year	**24,145**	23,013
Movement in the year:		
Notional interest on Plan assets	**573**	644
Return on assets, excluding interest income	**(101)**	854
Contributions – employer	**318**	320
Benefits paid out	**(848)**	(686)
Fair value of Plan assets at end of year	**24,087**	24,145

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

	2020 £'000	2019 £'000
Net remeasurement – financial	**(4,936)**	(3,320)
Net remeasurement – demographic	**(92)**	(260)
Net remeasurement – experience	**84**	(2,106)
Return on assets, excluding interest income	**(101)**	854
	(5,045)	(4,832)
Deferred taxation	**959**	821
Total remeasurement of the net defined benefit liability to be shown in other comprehensive income	**(4,086)**	(4,011)

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

Statement of Financial Position	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Present value of defined benefit obligation	**(37,324)**	(33,562)	(27,502)	(29,438)	(24,694)	(22,970)
Fair value of Plan assets	**24,087**	24,145	23,013	23,306	20,199	20,308
At end of year	**(13,237)**	(9,417)	(4,489)	(6,132)	(4,495)	(2,662)

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 agreed plan funding valuation of the Plan was as at 5 April 2017 and revealed a deficit of £2,599,000.

iv. The Plan membership as at 5 April 2017 comprised 279 deferred pensioner members and 129 pensioner members. Since 31 December 2015, the Plan has been closed to future accrual with those active members if still employed by the Company transferring to a new category of employed deferred member. All employed deferred members are now deferred 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.

(c) Information about any amendments, curtailments and settlements

Following the sale of the manufacturing business all employed deferred members became deferred members and benefits became linked to revaluation in deferment. This led to a reduction in the defined benefit obligation which has been treated as a curtailment.

On the 26 October 2018, a High Court judge ruled that the trustees of UK defined benefit pension plans must compensate members for sex inequalities attributable to GMPs. The Plan has benefits which include GMPs and as such will need to take action to address this inequality. The outcome of this was to increase the liabilities of the Plan.

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 2020:

		June 2020 £'000
Discount rate (increase of 0.25% p.a.)	Decrease by	**2,100**
Rate of RPI inflation (increase of 0.25% p.a.)	Increase by	**1,800**
Mortality (1.5% long-term rate, rather than 1.25%)	Increase by	**500**

(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 27 Related parties

Compensation of key management personnel (including directors):

	2020 £'000	2019 £'000
Short-term employee benefits[1]	**1,542**	771
Post-employment benefits	**9**	44
	1,551	815

1 Short-term employee benefits for 2020 includes £0.6m bonuses paid on completion of the sale of the manufacturing business, £0.3m settlement costs, £0.2m LTIP, and £0.4m salary/fees. See Note 5.

Notes to the Accounts continued

Note 27 Related parties continued

Directors and their Interests

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

	27 June 2020 ordinary shares	29 June 2019 ordinary shares	30 June 2018 ordinary shares
B M Hynes	**74,914**	74,914	74,914
C G How	**196,698**	201,698	226,434
J M Fletcher	**165,513**	104,216	102,216
M Gazzard	**25,505**	3,000	3,000
T Perman	**12,000**	12,000	–
R S McDowell	**389,105**	389,205	344,189
E J Beale	**–**	–	–
T R J Carter	**–**	–	–
Q G A Higham	**–**	–	–

Mr E J Beale's director's fees have been surrendered to his primary employer, City Group P.L.C. Director's fees of £28,000 were paid or are payable for the year ended June 2020 (2019: £29,000). Mr E J Beale is a director of Western Selection P.L.C., who have a beneficial interest in 7.5% of the Company's issued share capital at the reporting date.

Mr C G How's fees have been surrendered to his primary employer, Braebrook Limited. Mr C G How is a 50% shareholder and sole director of Braebrook Limited. Director's fees of £112,000 were paid or are payable for the year ended June 2020 (2019: £nil).

In the year to June 2020, Brand Architekts Group plc purchased goods and services amounting to £546,000 (2019: £2,710,000) from Swallowfield s.r.o. At the year end, the Company had payables due to Swallowfield s.r.o. amounting to £nil (2019: £42,000), the prior year balance being disclosed within 'Trade and other payables' (see Note 17).

In the year to June 2020, the Company purchased services amounting to £nil (2019: £267,000) from Swallowfield SARL. At the 2020 year end, the Company had a balance due from Swallowfield SARL amounting to £nil (2019: £2,000), the prior year balance being disclosed within 'Trade and other receivables' (see Note 16).

In the year to June 2020, the Company purchased services amounting to £nil (2019: £141,000) from Swallowfield Inc. At the 2020 year end, the Company had payables due to Swallowfield Inc. amounting to £nil(2019: £63,000), the prior year balance being disclosed within 'Trade and other payables' (see Note 17).

In the year to June 2020, the Company sold products to the value of £24,000 (2019: £170,000) to MR. Haircare Limited, a joint venture with Jamie Stevens (Media) Limited. At the 2020 year end, the Company had receivables due from MR. Haircare Limited of £193,000 (2019: £282,000 payables due to MR. Haircare Limited) being disclosed within 'Trade and other payables' (see Note 17). In the year to June 2020, MR. Haircare Limited made a profit after tax of £89,000 (2019: £206,000) and this is reported in the Group results.

In the year to June 2020, the Company sold products to the value of £420,000 (2019: £2,024,000) and also operated an inter-company current account with Brand Architekts Limited, a wholly owned subsidiary. At the 2020 year end, the Company had payables due to Brand Note 27 Related parties continued

Architekts Limited of £4,917,000 (2019: £5,177,000) being disclosed within 'Trade and other payables' (see Note 17). In the year to June 2020, Brand Architekts Limited made a loss after tax of £1,409,000 (2019: £2,909,000 profit after tax) and this is reported in the Group results.

In the year to June 2020, the Group purchased finished products for resale amounting to £101,000 (2019: £2,801,000) from SCCTC, a Chinese manufacturer of cosmetics products in which the Group held a 13.3% shareholding up until the date of disposal of the manufacturing business. At the 2020 year end, the Group had payables due to SCCTC amounting to £nil (2019: £502,000), the prior year balance being disclosed within 'Trade and other payables' (see Note 17).

During the year, Brand Architekts Group plc operated an inter-company loan facility with Swallowfield Consumer Products Limited with the balance at the year end of £nil due to Swallowfield Consumer Products Limited (2019: £734,000), the prior year balance being disclosed within 'Trade and other payables' (see Note 17). Interest of £nil (2019: £12,000) was payable on this loan during the year to Swallowfield Consumer Products.

Note 28 Discontinued operations

On 23 August 2019, the Group sold its 100% interest in Curzon Supplies Limited for consideration of £35,255,000 (completing the disposal of the manufacturing business) which is the only operation presented as discontinued operations in 2019. Curzon Supplies Limited was incorporated in March 2019. Assets relating to the manufacturing business, along with the related investments in Swallowfield Consumer Products Limited, Swallowfield SARL, Swallowfield s.r.o. and Swallowfield Inc., were transferred to Curzon Supplies Limited prior to its disposal.

Profit on disposal

	Group at disposal 23 August 2019 £'000
Property, plant and equipment	11,338
Intangible fixed assets	695
Equity instruments held at fair value	1,558
Inventories	9,724
Trade and other receivables	13,196
Trade and other payables	(10,025)
Deferred tax liability	(561)
Post-retirement pension obligations[1]	(1,103)
Realisation of exchange differences	196
	25,018
Deal costs	1,315
Profit on disposal[2]	8,922
Satisfied by:	
Cash consideration	35,255

1 Post-retirement pension scheme obligations figure of £1,103,000 in this table relates to reassessment of annual uprating of pension liabilities.
2 Profit on disposal increased by £161,000 versus the interim accounts owing mainly to recovery of VAT on deal related costs and changes in consideration following agreement on the final completion accounts.

Result of discontinued operations

	2020 £'000	2019 £'000
Revenue	**7,480**	57,663
Expenses other than finance costs	**(8,389)**	(55,835)
(Finance costs)/investment income	**(22)**	1,146
Exceptional costs	**(1,462)**	(669)
Profit on disposal of manufacturing business	**8,922**	–
Tax expense	**–**	(255)
Profit for the year	**6,529**	2,050

Included in 2020 exceptional costs in discontinued operations are £1.1m employee bonuses paid out following disposal of the manufacturing business and £0.3m relating to specific branded inventory write offs that were intrinsically linked to the manufacturing business.

Included in 2019 exceptional costs in discontinued operations are restructuring charges of £535k and deal fees of £88k.

No tax charge has been allocated to discontinued operations as the business was loss making, excluding the profit on disposal, in the period from 30 June 2019 to disposal. These taxable losses were transferred with the trade.

Earnings per share from discontinued operations:

	2020 £	2019 £
Basic earnings per share	**38.1**	12.6
Diluted earnings per share	**38.1**	11.6

Notes to the Accounts continued

Note 28 Discontinued operations continued

Cash flow in respect of discontinued activities

	2020 £'000	2019 £'000
Operating cash flows	**(5,761)**	6,717
Investing cash flows	**35,255**	(602)
Financing cash flows	**(3,592)**	(3,637)
Total cash flows	**25,902**	2,478

Assets held for sale

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Property, plant and equipment	–	11,190	–	10,329
Intangible fixed assets	–	779	–	779
Equity instruments held at fair value	–	1,385	–	1,385
Inventories	–	10,743	–	10,743
Trade and other receivables	–	13,966	–	13,962
Trade and other payables	–	(14,800)	–	(14,550)
Deferred tax liability	–	(563)	–	(497)
	–	22,700	–	22,151

Corporate Directory

Directors

B M Hynes (Executive Chairman)
R S McDowell (Non-Executive Director)
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

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Financial calendar

2020 Annual General Meeting	25 November 2020
Interim results announcement	March 2021
Announcement of 2021 final results	September 2021
2021 Annual General Meeting	November 2021

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