brandarchitekts

Annual Report 2021

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

- insight-led brand development
- ethical and efficient sourcing and manufacturing
- omnichannel routes to market
- brand invigoration

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

Strategic Report

Governance

Financial Statements

Highlights

Financial highlights[1]

Revenue

£15.9m

-2.3% (2020: £16.3m)

Loss before taxation

(£1.9m)

(2020: £4.3m)

Underlying gross profit margin[2]

36.9%

+170 bps (2020: 35.2%)

Net cash

£19.0m

(2020: £18.0m)

Underlying operating (loss)/profit[3]

(£0.3m)

(2020: £0.1m)

1 All prior year comparatives exclude discontinued operations.
2 Underlying gross profit margin is calculated before exceptional items included in costs of sales (further information in note 3 of the financial statements).
3 Underlying operating (loss) / profit is calculated before exceptional items, share-based payments and amortisation of acquisition-related intangibles.

Financial highlights

- Resilient performance of our business, with FY revenue down 2.3% to £15.9m (2020: £16.3m), supported by H2 revenue increasing 10% on the prior year, nearly offsetting on a full year basis a 10% decline in H1 revenue.
- Improved underlying gross profit margin up 170 bps to 36.9% (2020: 35.2%) driven by lower product discount expenditure in the year and higher margin product mix.
- Underlying operating loss of (£0.3m), £0.4m lower than the prior year (2020: £0.1m), absorbing the investment in our first ever brand advertising campaign for key skincare brand, Super Facialist in H2.
- Net cash up £1m to £19.0m (2020: £18.0m) from working capital efficiencies due to improved inventory planning as well as brand and product line optimisation. Repayment of outstanding term loans (£2.1m) and commercial invoice discounting facility (£1.1m) leaving the Group debt free.

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.

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

Our range is a broad church, enabling us to flex with changing consumer behaviour and macroeconomic factors.

Brand Architekts has a dozen brands and multiple products.

Super Facialist

Be your own Super Facialist
The brand has a range of seven 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 needs of male skin.

Its mild yet demonstrably effective formulations are designed for everyone, of every age. Super Facialist has extensively extended its reach during the reporting year, including launching into Douglas and Tesco Ireland.

Dirty Works

Good clean fun, in a bathroom near you
Dirty Works doesn't take itself too seriously, but 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. The brand covers all kinds of washing and bathing, skincare accessories and gifting.

Dirty Works is available at Sainsbury's and in over a dozen countries, notably Ireland, Australia, Mexico, Chile, Greece and Eastern Europe.

Dr SALTS+

Therapeutic solutions
The Dr SALTS+ range is comprised of benefit-led bath and shower products that harness the therapeutic benefits of Epsom Salts.

Bathing in quality salts with the highest concentration of natural minerals helps the body, skin and muscles to replenish, stay healthy and soothe aching muscles post-exercise.

Dr SALTS+ is available at Tesco, Waitrose, Amazon, Feel Unique and other leading e-tailers.

Kind Natured

The brand with the big heart
At Kind Natured we believe in keeping it as natural as possible – the range includes a selection of 97% natural bathing, bodycare, haircare and footcare products. All vegan-friendly and a pleasure to use.

Kind Natured is available at Boots, leading e-tailers and in six key international markets.

Happy Naturals

A collection of haircare and washing & bathing products packed with efficacious, vegan, delicious smelling, 97% natural formulations. Created with sustainability in mind – it's a Daily Dose of Positivity for you and the planet.

Happy Naturals is available in Sainsbury's and recently launched in Carrefour in Qatar.

Business Overview continued

The Solution

Ingredient-led bodycare that gets right to *The Solution*
The Solution provides hard-working, radiance-revealing body formulations developed by a passionate team of skincare experts and scientists. Using the power of proven active ingredients at efficacious levels to target your skin concerns, it helps promote healthier skin across the whole body!

Available in the UK at Superdrug, e-tailers and in New Zealand, Italy and Ireland.

Argan+

A highly effective, multi-benefit, ingredient-led range with premium quality formulations. Each product contains our unique five-oil blend, a 100% natural combination of our precious Moroccan Argan Oil with four other nutrient-rich oils, Baobab, Kukui, Moringa and Sacha Inchi. All of our oils are selected for their nourishing and restorative properties.

The range consists of haircare, washing & bathing, bodycare and skincare and is available at Waitrose.

SenSpa

Together with the SenSpa experts at the multi-award-winning Spa at Careys Manor in the New Forest, SenSpa is a licensed hair, bath and body therapy range, that combine a fusion of eastern and western extracts with natural and effective ingredients.

All products are at least 97% natural.

Root Perfect

Perfect roots
Root Perfect is our number one value proposition. Despite being one of the UK's most affordable instant root concealers, its technically advanced, high quality, tried-and-tested formulations ensure a long lasting, flawless and natural look. The five shades use blended pigments to cover a spectrum of hair colours.

Root Perfect is available across the UK value channel.

Fish

Born in Soho
Born in 1987, Fish Soho is a professional-grade, high-performance haircare and styling range straight out of Soho, London. Fish Soho gives you the freedom to discover your own distinctive/authentic style with confidence.

Fish is available in Boots, Superdrug, Waitrose, e-tailers and in four international markets, including Ireland.


DIRTY Works
GOOD CLEAN FUN!
......DOUBLE THE BUBBLE
you're welcome, it was no trouble
Bubble TROUBLE
BUBBLE BATH
BAIN MOUSSANT / BANO DE BURBUJAS
BLENDED WITH shea butter FOR A SILKY SOFT FINISH
LAVENDER AND CHAMOMILE EXTRACT
relaxation galore to help escape from everything outside the bathroom door!
She's in bubble bliss
DIRTY Works
GOOD CLEAN FUN!
TROPIC LIKE IT'S HOT
Leave all the coco-motion behind
SOAK it up
COCONUT BATH SOAK
BAIN MOUSSANT / BANO DE BURBUJAS
OUR COCONUT CREATION
MANGO EXTRACT & COCONUT OIL
with FRAGRANCE NOTES OF CREAMY COCONUT & fresh Peach

Business Overview continued

Be your own Super Facialist…

Brand proposition:

Super Facialist offers uncomplicated, mix-and-match skincare at an affordable price point. The brand blends the best of science and nature with exquisite fragrance, to give consumers that facialist feeling in the comfort of their own homes.

Operational Efficiency: (utilising data analysis to effectively launch New Product Development (NPD))

Using external data and customer insights, Super Facialist launched five NPD lines in FY21 – Retinol+ Firming Eye Cream, Hexapeptide 9 Cleansing Milk, Serum and Night Cream, and Skin Perfecting Primer.

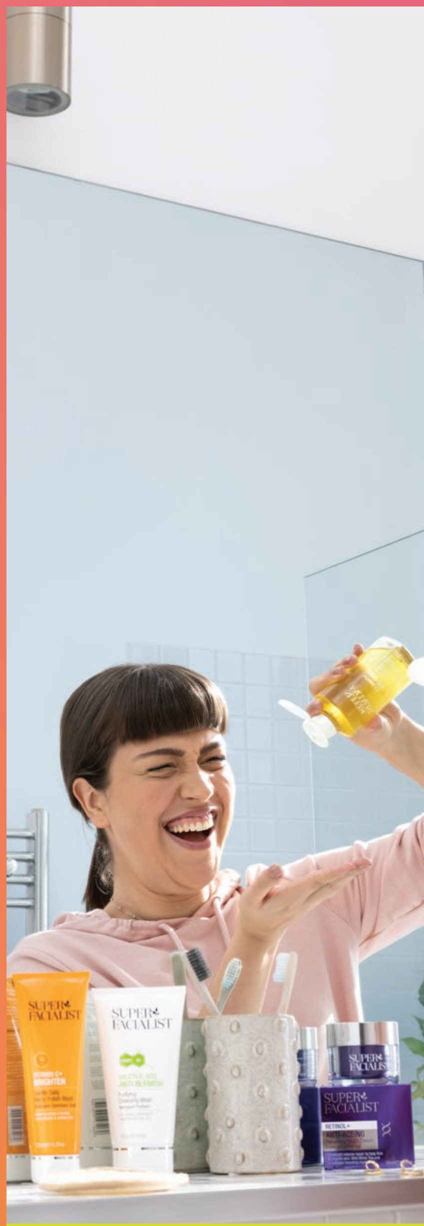
Optimising our portfolio:

As part of the business' fewer, bigger, better strategy the Super Facialist range line up was rationalised by five products to make way for the five new lines.

A&P investment across trade marketing, ongoing PR support, digital asset creation, paid digital advertising and the brand's first ever media campaign.

Advertising campaign objectives

- Increase brand awareness
- Increase distribution
- Incremental net sales



The creative:

The campaign creative was the antithesis to the traditional sterile, heavily scientific, and often unobtainable beauty of typical skincare ads. Instead, with a dose of humour, the creative captures the frantic and often chaotic routines of women as they juggle work, family commitments, social time, studies and more, all whilst trying to care for themselves. The advertising shows relatable scenarios that positions Super Facialist as the everyday skincare brand that fits neatly into women's lives.

The media campaign:

TV activity ran throughout May and June across all Channel 4 channels, plus UKTV and video on demand with All4. The Channel 4 Greenhouse Fund matched our TV investment on a like-for-like basis, effectively doubling our investment. The TV activity was supported by skippable YouTube advertising; Digital Display advertising through Teads; advertising on key social networks, such as Facebook and Instagram; and finally a specific Influencer campaign entitled #KeepItSuperReal.

Channel development (omnichannel approach):

Distribution gains pre media
Prior to the media campaign going live Super Facialist secured listings in Waitrose, BooHoo and Just My Look.

Media results:

- Brand awareness as measured by Kantar increased by 50% between November 2020 and June 2021.
- New listings confirmed in Tesco and Morrisons in July 2021.

Overall:

- Super Facialist net sales have increased to £3.2m up 30% versus the prior year.

Business Overview continued

the unexpekted store

theunexpektedstore will be the newest beauty retailer on the block.

Our story

What makes us different? Every product onsite has been created and developed by our in-house team of British beauty experts, who are passionate about combining indulgent formulations with affordable price-tags to give customers an incredible beauty experience, without compromise.

Each brand answers the specific needs of our customers through a unique combination of nature, science and years of experience. Our broad portfolio ranges from skincare, haircare and bodycare to bathing, gifting, accessories and men's; brought to you by brands such as Super Facialist, Dirty Works, Dr SALTS+, Argan+, SenSpa, Kind Natured, Fish Soho, plus many other household names.

Exceeding the expectations of everyday beauty

Looking and feeling great every day comes from the quality and performance of our products, regardless of the price-point.

But we want to do more than deliver great, affordable products to your beauty cabinet. Our aim is to provide an all-round valuable experience, going beyond the expectations of what everyday beauty looks and feels like.

Whether you've got all the time in the world to pamper yourself from head to toe, or just need to freshen up to get out the door, to us, everyday beauty should still be an experience.

Beyond the shelf

We want to go beyond the shelf to create a destination for a community of like-minded considerate and positive beauty lovers.

We believe that getting closer to our customers and understanding the community on a deeper level will help us to serve them better and provide an experience on their terms; reflecting customer feedback in the content we produce, products we develop, and knowledge we share.

While we're working hard behind the scenes to produce interesting, useful content and deliver unexpected moments, we're also striving to evolve into an empowered, community-driven store, allowing beauty enthusiasts all over the world to influence what comes next.

Our mission and vision

Our **mission** is to enrich customers lives, making today and beyond easier, by providing a level of experience that goes beyond expectations.

Our **social mission** is to celebrate the positivity of beauty in all its forms. We're dedicated to building a community that shares this belief too.

Our **vision** is to break the norm and harness customers' voices, regardless of the entry point; continuously exceeding their expectations of everyday beauty. We want to close the gap between our brands and customers by developing a community-driven website that fuels positivity, inclusivity, and the conversations around it.

theunexpektedstore.com


DIRTY Works
GOOD CLEAN FUN!
TROPICAL rain power
COCONUT BODY WASH
DIRTY Works
Bahama BALM-A
COCONUT BODY BALM

Business Overview continued

Accelerating our Sustainable Journey

100%

All our plastics, or packaging made of plastic, are now 100% recyclable.

87

New products made of a minimum of 30% PCR.

12 months on from the announcement of our Sustainable Blueprint Code of Conduct, we are proud to report that great progress has been made to make our portfolio more sustainable, whilst reducing our environmental impact.

We are committed to using packaging that is recyclable, recycled or reusable and this was incorporated into all the brand relaunches.

We ensured that all new lines were made of 100% recyclable packaging and use recycled packaging or reusable packaging.

We have also taken this opportunity to educate consumers on how to responsibly dispose of products by clearly sign-posting what types of materials are used and how to dispose of the packaging. We are committed to providing clarity and transparency to our consumers.

Our actions:

Plastic reduction
All our plastics, or packaging made of plastic, are now 100% recyclable. Most of our new products (from nil in the prior year, increasing to 87 during the year) are now made of a minimum of 30% PCR (post-recycled material) and this percentage increases to 50% on some of our natural brands. The 2021 Christmas gifts collection is free from plastic trays.

Eco-conscious board
Forestry Stewardship Council (FSC) approved board is now used across all our single products and we plan to extend this certification to all gifts and outer packaging in 2022.

Raw materials transparency
Our natural brands Kind Natured, Happy Naturals and SenSpa now all feature sustainable lead ingredients with official accreditation. We have had to re-engineer some of our formulations to reflect the sustainability of key raw ingredients.

Packaging reduction
We continue to reduce, wherever possible, our packaging footprint. A good example are the Super Facialist Retinol cartons which now use 24% less carton.

Raise awareness
Improved transparency on our packaging and social media on our credentials and ethos.

Engaging suppliers, constantly
Strengthening our relationship with manufacturers to make sure the production process is as sustainable as the material.

Investment Case

Profitable branded business

Brand Architekts has initiated and implemented four key transformational strategies, which in conjunction with a robust M&A strategy allows it to focus on building a portfolio of brands with low capital investment requirements and the potential for superior financial returns.

Experienced leadership team in place

After over a year in their respective roles, Quentin Higham (CEO) and Thomas Carter (CFO) have put in place a structure and growth strategy that will enable the business to build scale and deliver further profitable growth.

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.

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. Working in collaboration with THG Ingenuity has resulted in the creation of a new integrated marketplace called theunexpektedstore.com. We will be making 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.

Substantial net cash position

The Group had a net cash position on 30 June 2021 of £19.0m, an improvement of £1.0m on the prior year (2020: £18.0m).

Potential for M&A

Given the strength of its cash balance, 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.

Chairman's Statement

"Notwithstanding the challenges posed by the pandemic, our business has made excellent progress..."

... towards our strategic goals and achieved solid operating results including positive cash generation. The management team and all our colleagues have worked hard and adapted well.

The Group delivered a resilient financial performance, with turnover of £15.9m, down 2.3% on the prior year, whilst improving its cash balance by £1m to £19.0m.

As previously indicated, during the year under review we always intended to strengthen our business disciplines and build on our strategic pillars. Considerable progress has been made here. The senior team have tackled the workload with vigour and have created the platform on which to build towards our Project 50 ambition, a programme to deliver annual net sales of £50m within five years. The activity has centred around four strategic pillars, namely: optimising the portfolio; channel development; operational efficiency; and being a responsible business. I am pleased with the solid progress that has been made.

Roger McDowell

Non-Executive Chairman

We have worked to optimise the portfolio by reducing the number of brands and products. In doing so, we will focus on brands with greater growth potential and those product ranges that best meet consumer needs, concentrating our new product development in these areas. Within the rationalised portfolio, we revitalised seven brands, all of which will be relaunched in store by the end of calendar year 2021. In May and June, we launched our first advertising campaign across both television and digital channels to support key skincare brand Super Facialist, the Group's standout performer, and will look to invest in further campaigns in the future.

A significant amount of work has also been done on channel development through expanding our routes to market. Previously, the Group had limited reach direct to consumers. This reflected the genesis of Brand Architekts, which relied on the strengths of its relationships with a number of key retailers. As the pandemic accelerated a change in consumer shopping behaviour and offline retailers reduced space for non-essential categories, it became extremely important to invest in our own direct to consumer site. Our agreement with THG Ingenuity, will see the launch, later this calendar year of our new marketplace, theunexpektedstore.com. This development will accelerate our sales growth in 2022 and beyond. Our International sales grew during the year despite the pandemic and we expect further progress as the sales team focus on building key international relationships.

From an operational efficiency perspective, the Group implemented customer and consumer shopping data dashboards, providing insight into brand performance, informing both portfolio optimisation and its new product development programme. Next year will bring the integration of its demand planning and business intelligence platforms, underpinning customer service levels and robust financial management.

Both consumers and investors alike are demanding greater responsibility from the companies they endorse and at Brand Architekts it is a task that we take seriously and readily accept. From the raw materials we use to the packaging of our end products, we have made a commitment to improve. We have made a great start this year with a large number of our products now using a minimum of 30% post-consumer recycled material but there is much more that we can and will do.

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

We are conscious of the Board structure and will be actively reviewing the diversity and relevance of its composition.

On behalf of the Board I would like to extend my sincere thanks to our staff. They have had to contend with a vast amount of change, including to the leadership team and the trading environment as a result of the pandemic. They have done so with great endeavour and application and it is of great credit to them all.

Finally, I look forward to a year of significant progress towards our long-term goals.

CEO's Statement

"We have initiated and implemented four key transformational strategies."

Quentin Higham

Chief Executive Officer

In September 2020 we launched "Project 50", which is our vision to grow the business to £50m net sales within the next five years.

Project 50 deployed four strategic pillars, namely: optimising the portfolio; channel development; operational efficiency; and being a responsible business.

As we lived and breathed this within our team, discussing and developing both at a Board and senior management level, alongside input from key service providers, two things became apparent. Firstly, the increasing importance of our marketplace, theunexpektedstore.com, not only as a channel development initiative but also as a strategic initiative that will inform our culture and way of thinking, our products and our engagement with our consumers. Secondly, operational efficiency changed from being an individual strategic pillar focused on specific operational improvements into the ongoing foundation of how we approach and develop all our strategic initiatives, now and in the future.

Consequently, the transformative strategies have now evolved into the following four pillars and associated initiatives:

1. Brand Development

- **Productivity**
  Over the last year we have rationalised our brand count from 22 to 13, whilst also halving our number of products. The business remains focused on rationalising underperforming products to improve productivity. This will result in stronger selling products on shelf or online, affording opportunities both in shelf position, ranking online, as well as purchasing efficiencies.

- **NPD – consumer insights and trends**
  As a business we have invested in consumer data dashboards to help analyse trends and performance. Coupled with industry insights and our inherent understanding of the beauty and personal care market, NPD (new product development) lies at the heart of our organisation. In the last financial year we needed to reinvigorate our portfolio, which resulted in the planned relaunch of seven brands and the launch of one new brand. Our new brand, The Solution, launched into Superdrug in August 2020 and Tesco Ireland in June 2021. The seven relaunches were originally planned for the end of the last financial year, but due to Covid-related reasons, offline retailers delayed their instore range builds until September and October 2021. We are excited to be rolling out to our UK and international customers, new designs for Dr SALTS+, SenSpa, Argan+, Happy Naturals, Kind Natured, Beautopia and Root Perfect. Going forward, we will continue to launch new and exciting products and we have a three-year NPD programme in place, which takes into consideration trends, consumer insights and change in consumer behaviour. This will allow us to add in-demand products to either existing brand portfolios, or as part of the creation of new brands.

- **Digital first**
  In line with our direct-to-consumer (DTC) strategy of launching a new DTC marketplace (as further detailed in our DTC strategy below), our strategic focus is to become a "digital first" business. This will allow us to launch new products or brands online first, thereby enabling us to launch outside the constraints of offline category range builds. It will also allow us to use our own DTC channel as a "test and play" environment, whereby we can get feedback from consumers, as well as being able to provide offline retailers with empirical success. Becoming digital first means that we will always ensure that a brand has extensive digital assets, always communicating to consumers through digital/social channels and investing advertising monies in the digital medium. We are changing the way we invest all our resources (financial, as well as human), so that digital first is at the heart of our business.

- **Advertising and promotion**
  The business has historically focused on product development and offline retailer exclusivity and promotion. To support our omnichannel approach, we have started to invest in consumer advertising and marketing activities. Last year's Super Facialist advertising campaign was the first example of our investment into a brand. The campaign objectives were to improve consumer engagement, drive brand awareness, stimulate trial and secure distribution gains. On the back of the campaign, we secured new distribution in Tesco and Morrisons. As our brands achieve a certain level of scale, we will start to invest in advertising and promotion (A&P) to accelerate sales and return on investment (ROI).

- **Portfolio management M&A**
  The Project 50 vision requires an acquisition plan that will complement our strategic pillars. We are constantly evaluating opportunities and although it is difficult to predict an exact timeline, over the next few years we are confident that we will be investing in additions that will be accretive to our portfolio. Key considerations will be the fit to our existing portfolio, NPD programme and culture.

CEO's Statement continued

2. Brand Reach

- **UK omnichannel**
  As part of our omnichannel strategy, we successfully negotiated with retailers to secure non-exclusivity for Dirty Works, Happy Naturals, Beautopia, Kind Natured, Argan+ and SenSpa. As a result, we can now implement an online and offline distribution drive for these brands alongside the rest of our portfolio to secure new and incremental listings. The success of an omnichannel approach can be seen in the growth of Super Facialist, which has come from securing new distribution in Amazon, Waitrose, Morrisons and more recently Tesco.

- **DTC**
  Reflecting the change in consumer behaviour, the creation of a new integrated marketplace has been our number one priority. Since January 2021 we have been working with THG Ingenuity to create a new marketplace called theunexpektedstore.com. We are taking advantage of THG Ingenuity's world leading ecommerce platform – including trading and marketing services – and its sophisticated logistics and warehouse facilities to do this. The marketplace is expected to launch by the end of this calendar year. theunexpektedstore will not only sell all our brands and products, but we are very excited about creating a community, whereby our mission is to break the mould of everyday beauty. theunexpektedstore will be a community-driven platform that fuels positivity, inclusivity and exceeds the expectations of everyday beauty. We will be investing in a robust marketing programme to drive traffic to the site, initially around our better-known brands, to secure customer acquisition, before we start to invest in theunexpektedstore brand.

- **International**
  Our brands and products are sold in 34 countries, which has helped raise awareness and contribute to our annual volumes and sales results. Despite the pandemic, last year we were able to grow our international business and achieve listings in some key retailers around the world, notably in Ireland (Tesco, Dunnes, Macauley, Lloyds Pharmacy), Mexico (Walmart), Qatar (Carrefour) and across Europe on douglas.com. A key strategic focus going forward will be to prioritise time and effort in establishing some direct key international retailer relationships, whereby the retailer has a dominant share of a market; driving several strong distributor markets, whereby the distributor has the proven track record and desire to market at least three of our brands into multiple retailers; whilst maintaining support for all the smaller markets. The international focus will centre on a "fewer, bigger, better" approach, from both a customer and brand perspective.

3. Environmental & Societal Responsibility

- **Sustainability pledge – packaging and ingredients environmental footprint**
  In line with our sustainability pledge, we are working towards ensuring that all our plastic and packaging is 100% recyclable, reusable or bio-sourced by 2025. We will work with suppliers that are committed to building long-term partnerships to meet or exceed government and EU targets for plastic reduction. Last year, the number of products using a minimum of 30% PCR (post-consumer recycled material) increased from 0 to 87.

- **Employee development**
  One benefit of the pandemic was that it showed us how employees can benefit from working from home, whilst also highlighting the need for an office. As a result of listening to our employees we have changed all employee contracts to reflect a new hybrid way of working, whilst also upgrading our London office to become a hot desk hub that encourages creativity, collaboration and training. We have also ensured that everyone now benefits from a bi-annual PDR (performance & development review) and PDPs (personal development plans), onsite and offsite training, fortnightly town halls, employee recognition awards and quarterly Company newsletters. The Project 50 vision requires our employee culture to evolve so that employees are empowered and excited to take ownership.

4. theunexpekted

- Over the next few years, we expect theunexpekted to become our culture and way of life, a mantra that we live by as a company. Our goal is to challenge the expectations of ourselves and the market we exist in, unconstrained by conventional thinking or ways of working. Our focus to deliver this will be on the quality and performance of the product, our editorial content and how-to videos, and how we respond and react to user-generated content and recommendations. If the business lives by theunexpekted mantra, we should be in a position for our brands to flourish and challenge.

  Given the pandemic's adverse impact on the last financial year, in particular with regard to the retailer-led delays of a number of key brand launches, we have extended Project 50's end date by a further year, but we remain confident that this ambitious goal is achievable. Although the last year was challenging, good improvements have been implemented. Distribution gains and market penetration both domestically and internationally are the priority for our brands, whereas driving traffic, customer acquisition, increasing conversion and average order value will be the focus of our new DTC business. We believe that we have in place the right strategies to deliver Project 50 and therefore increase earnings and shareholder value.

Outlook

The required transformation of the business has taken longer than originally anticipated, undoubtedly exacerbated by COVID and the changing patterns and behaviours of offline retailers. We have, however, taken advantage of the market disruption, conducting a root and branch change programme, taking significant action which will result in a stronger business in the medium term. Certain actions, particularly around brand relaunch, were deliberately brought forward although we were conscious that this would have a negative short-term effect. The result is an excellent platform on which to build future success. We are conscious of the challenges faced by traditional retail and whilst our own e-commerce platform is close to readiness it will take time and investment before this channel is material. Given the above we are taking a cautious view for the year in prospect but remain confident in our strategy and future growth prospects.

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.

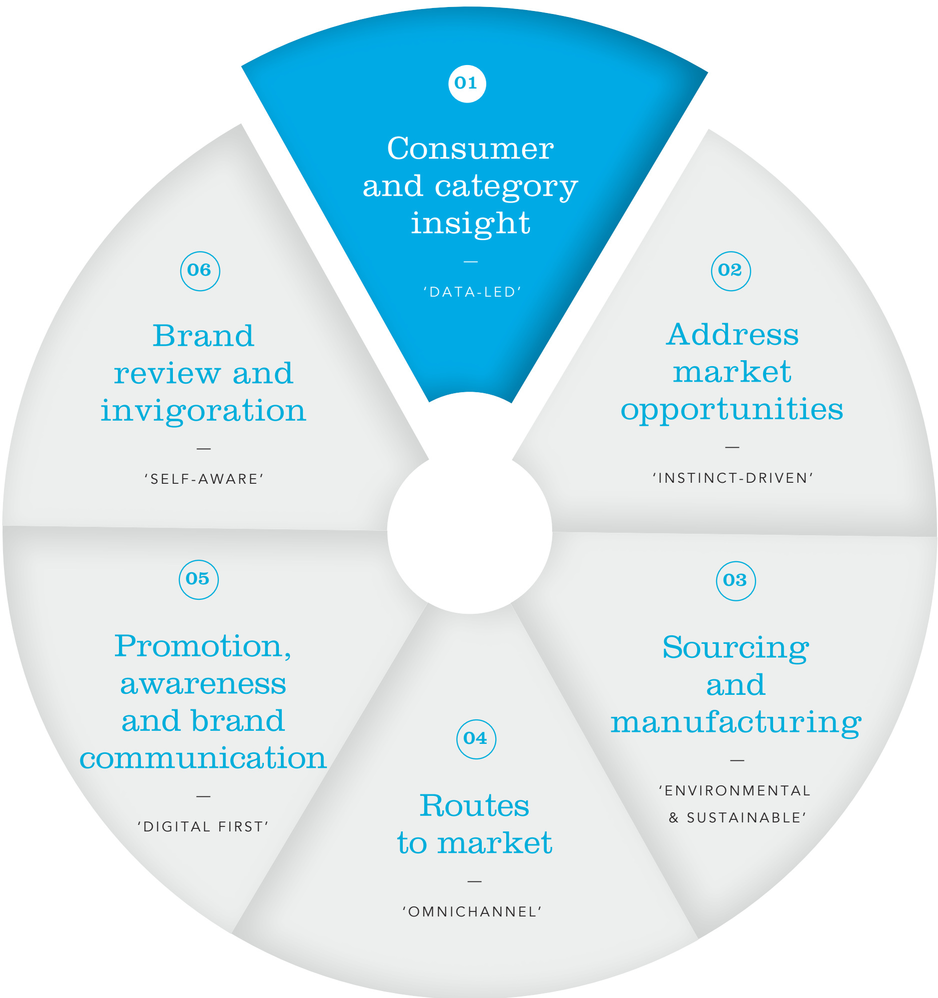
02 Opportunities come in many forms, including market gaps addressable by new product development, and M&A to open new avenues. We are alert to both and have the resources to act.

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 omnichannel strategy includes a major focus on growing our DTC channel, expanding our e-tailer presence and developing exclusives and value lines for high street distribution.

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

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



Stakeholders

Customers and consumers

Employees

Suppliers

Shareholders

Local communities

Market Context

Trends and Opportunities

Self-care, wellness and sustainability lie at the heart of 2021's beauty trends and consumer needs. In the next financial year, we are launching many products that will resonate and excite consumers, with anticipated strong sales.

- **Self-care**
  Self-care is not new but has been accelerated by the pandemic. It became one of the most well-used buzzwords in 2021 and will continue to lead new product launches in the foreseeable future. Consumers' time is precious, every moment they invest into their beauty regime needs to have a result, whether in the way they feel or the way they look. Interest in aromatherapy will continue to surge and we look forward to enriching our SenSpa and Argan+ portfolio of products with wellbeing/aroma-led solutions that create unique immersive experiences; whether that is a daily product, such as a hand cream, or a beautifully crafted essential oil to induce sleep and rebalance one's mood.

- **Skin-stress**
  There is a growing body of scientific evidence that links stress and body appearance; from skin breakouts, loss of radiance and irritation to hair loss and breakage. The 2021 launch of Dirty Works Good to Glow skincare collection and the Super Facialist Anti Blemish, MR Disguise and Kind Natured Sensitive ranges, all offer simple, problem-solution products that address these needs.

- **Experiential destination**
  As travel restrictions are likely to continue well into 2022, consumers will seek products that bring them joy, moments of calm, as well as a chance of escapism to a hotter, sunnier destination. Our newly launched Dirty Works Hawaii collection enables consumers to enjoy a moment of pure fun and frivolous escapism.

- **Sustainability**
  Alongside recyclability, sustainability remains a key concern with British consumers and will continue to be one of our key priorities throughout the next 12 months. We will continue to make sustainability part of each brand identity. The rollout of more eco-friendly materials and a reduction in packaging will intensify and will be the focus on Fish and Super Facialist in 2022/23.

2-3-year opportunities

- **Shifting to self-care**
  We anticipate consumers will be wanting brands that offer them an experience that builds calming and restorative moments into their day. Products that help transport them (rising awareness of skin-mind connectivity – psycho dermatology) and turn beauty routines into rituals to tackle the issues of stress, lack of sleep and burn out. We can expect a greater emphasis and need for mood-boosting aromas, adaptogenic ingredients and sensorial textures in future launches across Super Facialist (SleepSmart and Hexapeptide) and SenSpa (Gifting).

- **Circular economy – "from farm to skin"**
  As consumers change their beauty habits, whilst pushing brands to reduce waste and demonstrate greener credentials, we anticipate a greater expectation for circularity and use of sustainably sourced materials. The desire to reduce eco footprint, and the rise of homegrown brands, local sourcing and production, offers us a great opportunity to build authentic brands that resonate with the consumer; this will be incorporated into our product development plans for Kind Natured and Happy Naturals.

- **Wellness**
  2020 has been a year of reflection for many, allowing consumers to reflect on what is truly important to them. People have been able to put things into greater perspective, and consequently have become more aware of their mental wellbeing and willing to invest in it. Mood-enhancing and aromatherapy-led products offering a holistic approach from skincare to washing and bodycare will gain credibility and popularity and we look forward to rolling out this innovation into our Argan+ and Dr SALTS+ portfolio.

- **Sensitivity and skin-stress**
  Pandemic-related skin issues such as "maskne" and "Covid-face" – the visible appearance of stress as a result of the coronavirus outbreak – will drive innovation, leading to a resurgence and greater trust in science-based holistic skincare, result-led products but formulated with simpler, cleaner formulations and hero ingredients. An opportunity perfectly suited to our Super Facialist and The Solution brands for 2023.

Project 50

A vision for the future

PROJECT 50

In September 2020 we launched "Project 50", which is our vision to grow the business to £50m net sales within the next five years. Given the pandemic's adverse impact on the last financial year, we have revised Project 50's end date to a year later than originally planned, but we remain confident that this ambitious goal is achievable.

We have made good progress initiating and implementing last year's strategy, which given the progress of the business has evolved into the following four pillars:

01

Brand Development

By listening to the needs of our customers and consumers, we will implement NPD and communication initiatives that ensure our brands remain relevant and desirable.

- **Productivity**
- **NPD – consumer insights and trends**
- **Digital first**
- **Advertising and promotion**
- **Portfolio management M&A**

02

Brand Reach

In today's society we need to ensure that our customers can buy our products wherever and whenever they want. To do this we need an omnichannel distribution approach.

- **UK omnichannel**
- **DTC**
- **International**

03

Environmental & Societal Responsibility

We aspire to be a leader in beauty sustainability and are committed to the journey to make a real difference. We are committed to using recyclable, recycled or reusable packaging.

- Sustainability pledge – packaging and ingredients
- Employee development

04

theunexpekted

theunexpekted will become our culture and way of life, a mantra that we live by as a company. Our goal is to challenge the expectations of ourselves and the market we exist in, unconstrained by conventional thinking or ways of working.

Principal Risks and Uncertainties

Managing Risk

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

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

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

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

Risk	Potential impact	Change in FY21	Mitigation
Talent retention	Loss of key personnel and employee churn and failure to attract sufficient high-quality people could impact the Group's ability to achieve its Project 50 strategy.	>	The Remuneration Committee reviews annually key personnel rewards so that they are competitive and commensurate with performance. Long-term incentive plans were implemented for the executive management and senior leadership teams during the year. Personal development plans and reviews as well as training programmes were introduced for all employees to ensure both business and personal needs are met. The business also moved to a hybrid way of working and office culture, to support employees with greater flexibility. Further information on this can be found in the CEO's Statement on pages 16 to 19 and also in the Employees section in Stakeholder Engagement and Section 172 on pages 28 to 30.
Consumer and customer trends	Consumer preferences and buying habits could lead to our products not meeting consumer needs or not being readily available for purchase, as well as impacting our customers' strategies.	^	Regular reviews of EPOS and market dashboards, as well as maintaining close contact with customers facilitates our understanding and alignment with their strategies. The creation of our DTC marketplace (see the CEO's Statement on pages 16 to 19) will provide a significant change in the frequency and quality of our interaction with consumers helping to create products that fulfil their needs. Our investment in new product development will closely follow their feedback and wider market trends including sustainability (page 23).

Risk	Potential impact	Change in FY21	Mitigation
Product quality, regulations and compliance	Inconsistent quality or non-compliance with regulations would have a severe impact on service levels, customer relationships and have financial repercussions.		The Company has a well-defined new product development process that incorporates product quality and compliance verification. We also partner with long-term, established key suppliers with excellent product quality controls and adherence to compliance standards. We also employ compliance consultants for product labelling verification and registration.
Supply chain disruption	Disruption to the supply chain could limit availability of products and thereby reduce sales and business performance.		The Group maintains a detailed forecast and demand planning process to maximise product availability while optimising its inventory levels. The team has strong, long-term relationships with major suppliers, supported by regular reviews to ensure continuity of supply at competitive prices and early visibility of any issues. Depending on circumstances, the business will invest working capital in additional inventory for fast-moving product lines to ensure availability of supply.
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.		We have established and embedded new working practices to operate in a hybrid virtual/office environment (see the CEO's Statement on pages 16 to 19), while customer, consumer and supplier changes are regularly reviewed. Our key strategic pillar of investing in our DTC platform will enable the Group to offset changes to consumer buying behaviours, enabling purchase of our brands.
Cyber security	The Group is exposed to the risk of increasingly sophisticated cyber-attacks aimed at causing business disruption, capture of confidential data for financial gain, and reputational damage.		The business has undertaken an assessment of its current control environment versus the Centre for Internet Security (CIS) controls framework. It has already progressed an improvement plan, which will continue into next year, to achieve sufficient maturity in this framework, investing in software, policies, procedures and training. A cyber security review is also being incorporated into our supplier review to support the robustness of our supply chain. In addition, the Group maintains cyber insurance.
Pension fund deficit	The revaluation of the defined benefit pension plan on a technical provision basis at each reporting date can cause large fluctuations in valuations based on factors outside the Group's control and drive increases in cash payments into the fund.		There is an agreed deficit recovery plan fixed until November 2037. The next triennial review on which a new schedule will be agreed will be on 5 April 2023. The deficit recovery plan provides a degree of certainty over cash flows between triennial reviews. The Group maintains a close relationship and regular communication with the Trustees. Further information on the pension scheme recovery plan can be found in the Financial Review.

Stakeholder Engagement and Section 172

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

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

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

Methods used by the Board

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

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

Stakeholder engagement

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

Why we engage

Customers and consumers

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

Employees

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

Suppliers

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

Shareholders

The engagement with shareholders is a core responsibility for the Board and essential in the delivery of the Project 50 strategy and future investment in the strategic pillars of the business.

Communities

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

How we engage	Material topics
We engage with our customers via regular ongoing communications, supported by business reviews and annual joint business plans. Our engagement with consumers will increase considerably via our DTC platform including the creation of an online community supported by relevant editorial content and how-to videos. Our digital first initiative will prioritise consumer feedback and provide an important opportunity to create traction online for our products to the benefit of both our consumers and customers.	– Customer category performance vs competitors – Brand Architekts' category performance vs competitors – Consumer trends, needs and habits – Consumer journey and experience on our DTC platform – Environmental and sustainability credentials of our products
We communicate with employees regularly through local "town hall" meetings, company events and company newsletters, we also monitor employee engagement and sentiment through various means, such as PDR (performance development reviews) and PDP (personal development plans) and employee surveys. The regular interaction with our employees informs how we upskill our workforce to ensure we have the correct structure and talent to support our Project 50 goals. An example of this is the move to a hybrid office working culture.	– Project 50 strategy deployment including team objectives and KPIs – Operational efficiency ideas to facilitate strategic initiatives – Company culture incorporating theunexpekted – Training and development opportunities – Compensation and incentives
We work together both virtually and onsite, working where possible on shared development programmes and IT applications for close collaboration. This approach also focuses on building firm understanding of each party's corporate strategic goals to maximise a mutually beneficial relationship. Regular business reviews with standing agenda items have helped to challenge and instruct the seven brand relaunches expected in store later this year.	– Overall market and category performance – Consumer needs and habits versus our NPD – Environmental and sustainability credentials of the manufacturing process and our products – Outlook, demand planning and supply chain – Product quality and compliance
The CEO and CFO, together with the Chairman, deliver the Group's interim and final results in person, with presentations, Q&A sessions and roadshows for our major shareholders. We also organise ad hoc investor meetings and an Annual General Meeting in November to provide an opportunity for shareholders to meet the directors and discuss the year's results. This year, we have also implemented bi-annual presentations to retail investors online, to facilitate wider access to all our shareholders.	– Project 50 strategy and business model updates – Financial and operational performance and outlook – Environmental, social and governance – Long-term, sustainable growth – Capital allocation including capex, working capital, dividends and M&A
We are committed to working with our customers and suppliers to minimise any negative environment impacts from our products and supply chain. The expectations of our consumers and communities have informed our Sustainability Code of Practice (see page 11). We work with suppliers who share our principles in the reduction of waste and energy use in the manufacturing process, focusing on production and design processes and policies to comply with and, wherever possible, anticipate changing legislative and customer demands.	– Compliance with regulations – Social responsibility and ethical practice – Environmental impacts, recyclability and PCR % of our products

Stakeholder Engagement and Section 172 continued

Decision-making in practice

A significant decision taken by the Board during the course of the year was the investment in our first above-the-line marketing campaign for Super Facialist – more details can be found on pages 6 to 7.

Another important decision was the establishment of a DTC marketplace, a key part of our Channel Development strategic pillar. The consideration of key stakeholders and consequences of this decision are summarised below:

Considerations and consequences | **Further information**

The long term

The Board considered many options in how to develop its DTC activity across its main brands, with the aspiration to achieve 20% share of Group revenue by Year 5. The creation of the marketplace was considered as the best solution to the current and future business of the Group, namely a portfolio of brands in the Beauty sector for omnichannel distribution both in the UK and internationally. Maintaining existing e-commerce sites for each brand was also considered, but it was deemed to limit the potential to cross-sell our brands and also create a community to develop our presence and voice online.

The Board reviewed the advantages and disadvantages of both approaches and approved the marketplace proposition, leading to the development of the concept with potential marketplace providers.

Business Model
Pages 20 to 21

Accelerating our Sustainable Journey
Pages 10 to 11

CEO's Statement
Pages 16 to 19

Project 50
Pages 24 to 25

Employees

The marketplace decision brought new skillset and mindset requirements to a team traditionally focused on bricks-and-mortar customers and a product rather than a digital and marketing-led approach.

Consultation with the team and a review of internal resources triggered the recruitment of a Head of Digital with the necessary experience to implement the marketplace creation. The business also considered the range and extent of services on offer from potential marketplace providers, with the objective to maximise the outsourcing of the e-commerce activities whilst focusing internal efforts on brand creation, development and marketing. The opinions of the senior management team informed the decision-making process on the e-commerce solution and vendor. The wider brand team have been instrumental in the selection of our marketplace name, theunexpektedstore, its concept as well as associated logos and guidelines.

The investment in the marketplace, our intent to think "digital first" in our brand strategy, as well as theunexpekted mantra for our corporate culture will require significant work, support and review in our business over the coming years.

Our people, culture and values
Pages 10 to 11

CEO's Statement
Pages 16 to 19

Business relationships with suppliers and customers

On approval of the marketplace concept, the Group conducted a thorough review of potential partners, including additional consultancy days to develop different approaches and business plans.

The identification of our need to outsource non-core activities and focus on our brands and consumers ultimately led to our decision to select THG, a proven e-commerce services provider, as our chosen partner. This was supported by references obtained by the Board from other THG customers.

The development process with THG commenced in January 2021, with frequent interaction between THG and our digital and brand teams to deliver the project on time. This continual feedback process between the two companies has been essential in creating our unexpekted vision and strategic pillar, site user experience and plan to build a community in search of everyday beauty.

With regard to our existing customers, it is envisioned that our new digital first strategy, increasing our share of voice online, will only benefit our offline sales and customers.

CEO's Statement
Pages 16 to 19

Community and the environment

A key part of our marketplace concept is the creation of an online community, making beauty accessible every day. This will only enhance our two-way communication with consumers and inform our business on future development both from a brand and sustainability perspective.

Accelerating our Sustainable Journey
Pages 10 to 11

Outcome

The review process has resulted in a five-year e-commerce services contract being signed with THG in August 2021, with expected soft launch of the site by the end of H1 FY22.

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:

	2021	2020
Reported results from continuing operations		
Revenue (Note 2 of the financial statements)	**£15.9m**	£16.3m
Underlying operating (loss)/profit[1]	**£(0.3)m**	£0.1m
Loss before taxation	**£(1.9)m**	£(4.3)m
Reported results from continuing and discontinued operations		
Revenue (Note 2 of the financial statements)	**£15.9m**	£23.7m
Underlying operating loss[1]	**£(0.3)m**	£(0.8)m
(Loss)/profit before taxation	**£(1.9)m**	£2.2m
Basic (loss)/earnings per share	**(13.1)p**	12.9p
Net cash	**£19.0m**	£18.0m

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

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

	2021 Continuing £'000	2021 Discontinued £'000	2021 Total £'000	2020 Continuing £'000	2020 Discontinued £'000	2020 Total £'000
Underlying (loss)/profit from operations	**(273)**	**–**	**(273)**	**121**	**(909)**	**(788)**
Exceptional cost of sales	488	–	488	(2,535)	–	(2,535)
Amortisation of acquisition-related intangibles	(240)	–	(240)	(260)	–	(260)
Charge for share-based payments	(38)	–	(38)	(4)	–	(4)
Other exceptional items	(1,600)	–	(1,600)	(1,444)	7,460	6,016
Operating (loss)/profit	**(1,663)**	**–**	**(1,663)**	**(4,122)**	**6,551**	**2,429**

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

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

Statement of comprehensive income

Group statutory revenue at £15.9m from continuing operations was down 2.3% against prior year, reflecting the continued adverse impact of Covid-19 lockdowns in the UK and internationally on our customers, in particular high street retailers. This particularly affected H1 sales which declined by 10% on the prior year to £9.0m (H1 2020: £10.0m on an adjusted basis), including a £0.6m reduction in Christmas gift sales as customers reduced their Christmas ranges in store. Sales of male grooming products also declined in line with consumer usage during the national lockdowns. This was nearly offset on a full-year basis by a 10% increase in H2 sales to £6.9m (H2 2020: £6.3m on an adjusted basis) as footfall in stores improved. The shift in consumer purchasing during the pandemic to online could only be partly captured by our current DTC proposition and e-tail sales channel, underlining our strategic need to invest in our new marketplace.

From a brands performance perspective, Super Facialist continued to excel with a 30% improvement versus the prior year, while other brands declined. This was foreseen at the start of the year and supported the time and resource spent by the team on preparing a relaunch of seven of our brands. The impact of these relaunches, however, was delayed as our customers postponed implementation of their range changes in store to later in this calendar year.

Financial Review continued

Underlying gross profit margin, which excludes exceptional adjustments improved to 36.9% (2020: 35.2%). The improvement in margin was mainly driven by lower promotional spend in High Street stores from lower footfall as well as product and channel mix, offsetting the emerging threat of cost pressures and volatility from our supply chain towards the end of H2, in particular with respect to packaging materials and logistics costs. On a statutory basis, gross profit margin was 40.0% (2020: 19.6%), which included a £0.5m partial reversal of prior year exceptional inventory provisioning as the Group managed a better sell down of aged inventory lines as the brand relaunches were delayed and a lower-than-expected settlement of prior year supplier liabilities (further detail in Segmental Analysis Note 2 of the financial statements).

The Group made an underlying operating loss of £0.3m (2020: underlying operating profit £0.1m on a continuing operations basis), which is shown before acquisition related amortisation of intangibles, exceptional costs and charges for share-based payments. This result absorbed the increase in costs relating to the Super Facialist above the line marketing campaign in May/June 2021, as well as the NPD programme resources required for the brand relaunches. These investments exemplified our intention to invest further in our Brand Development strategic pillar, through advertising and promotion of key brands and development of new brands and products for our existing ranges.

The Group made a loss before tax of £1.9m which included other exceptional items of £1.6m from the partial impairment of the intangible value of male styling brand, Fish. The impairment review, under IAS 36, reflected the impact of a reduction in consumer usage and habits that have affected the male grooming category in the UK (further detail in Note 13 of the financial statements).

Financing costs were £0.2m (2020: £0.3m) relating to the defined benefit pension plan notional finance charge.

The effective tax rate for the period was negative 17% (2020: negative 1%) of pre-tax profits. The effective rate is below the statutory rate of 19% due to the losses in the 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.

Financial position and cash flow

The Group's net cash position at the year ended 30 June 2021 was £19.0m (2020: net cash £18.0m). The £1m improvement in cash was due to an improvement in working capital, in particular from a strong reduction in inventory levels to £2.3m (2020: £3.7m). As part of our operational efficiency strategy, full focus was made during the year to dissipation of aged inventory across our sales channels, as well as implementing a robust demand planning system for efficient purchasing while maintaining good product availability. The inventory sell down was managed within the provisioning set by the Group in FY20, with no further provisions required in the year.

It was decided in H1 to repay all outstanding term loans (£2.1m) as well as the commercial invoice discounting facility (£1.1m) to leave the Group debt free. The strong net cash balance is planned primarily to drive the M&A agenda of the Group over the next few years as we identify assets that are complementary to our portfolio and Project 50 strategy.

The Group also did not utilise any government furlough or loans scheme in the period.

Defined benefit pension plan

The defined benefit pension plan underwent its last triennial valuation on 5 April 2020. The actuarial deficit was calculated as £21.1m, but including an allowance for the impact of changes in financial market conditions up to 31 March 2021 this was reduced to £15.1m. The Group entered a revised deficit recovery plan and schedule of contributions in July 2021. Under this there is a commitment to make a one-off deficit reduction payment of £1m by 31 July 2021, £318k payment per annum for four years, followed by £791k for a further 13 years, and to pay certain administration costs and the PPF levy for the life of the plan. This commitment will be reassessed at the next triennial valuation on 5 April 2023.

The April 2020 timing of the last triennial valuation increased the pension deficit significantly, as the start of the pandemic depressed the valuation of scheme assets while lower discount rates linked to bond yields increased estimated scheme liabilities. Extensive reviews were held with the Trustee to balance the assurance needed by the pension scheme in light of the increased deficit, while aligning with Project 50's objective of investing cash reserves in the business to the long-term benefit of all stakeholders, including the pension scheme.

Accounting standards require the discount rate used for valuations under IAS 19 "Employee Benefits" to be based on yields on high-quality (usually AA-rated) corporate bonds of appropriate currency, taking into account the term of the relevant pension plan's liabilities. Corporate bond indices are used as a proxy to determine the discount rate. At the reporting date, the yields on bonds of all types were higher than they were at 30 June 2020. This has resulted in higher discount rates being adopted for accounting purposes compared to last year. This has decreased the fair value of the plan liabilities as measured under IAS 19, which combined with an improvement in the fair value of the scheme's assets, has translated into a decreased liability under the IAS 19 methodology. For accounting purposes, at 30 June 2021, the Group recognised under IAS 19 a net liability of £10.4m (2020: £13.2m).

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 £19.0m. Accordingly, we continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Board of Directors

Roger McDowell
Non-Executive Chairman

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

Edward Beale
Independent Non-Executive Director

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

Chris How
Independent Non-Executive Director

Chris was formerly the CEO of Swallowfield plc (the previous name of the Group) and 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 is the Chair of the Remuneration Committee.

Quentin Higham
Chief Executive Officer

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

Tom Carter
Chief Financial Officer

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

Corporate Governance Report

Annual General Meeting

Note on this year's AGM...

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

Governance principle/Explanation	Further reading
1. Establish a strategy and business model which promote long-term value for shareholders.	
The Board meets annually to review the strategy for the Group. The strategic plan and business model are reviewed by the executive leadership on a monthly basis with relevant operational and management updates being reported to demonstrate delivery and progress to the Board. Decisions of the Board are made in line with the strategic plan and business model for the Group. **Status: Compliant**	CEO's Statement, pages 16 to 19 Project 50, pages 24 to 25 Business Model, pages 20 to 21
2. Seek to understand and meet shareholder needs and expectations.	
Regular dialogues are held with shareholders, including holding briefings with analysts and other investors and staff shareholders. The Company also uses the Annual General Meeting as an opportunity to communicate with its shareholders. The Chairman of the Board is the primary point of contact for all shareholders. The Company produces year-end and interim announcements as well as a full Annual Report, all of which are available on the Results, Reports and Presentations section of the Company's website and hard copies of the Annual Report are distributed to those shareholders who have requested to continue to receive them. **Status: Compliant**	Stakeholder Engagement and Section 172, pages 28 to 30 Reports and Presentations section, Company website (www.brandarchitektsplc.com) Corporate Governance section, Company website (www.brandarchitektsplc.com) Shareholder and Company News section, Company website (www.brandarchitektsplc.com)
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	
The Group's stakeholders include shareholders, members of staff, customers, suppliers, regulators, partners, industry bodies and creditors. The principal way in which their feedback on the Group is gathered is via the meetings, conversations and feedback processes. This, as well as the actions generated from this feedback, is detailed in the Stakeholder Engagement and Section 172 section on pages 28 to 30. **Status: Compliant**	Stakeholder Engagement and Section 172, pages 28 to 30 Corporate Governance section, Company website (www.brandarchitektsplc.com)

Governance principle/Explanation	Further reading

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

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

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

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

Status: Compliant

Principal Risks and Uncertainties, pages 26 to 27

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

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

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

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

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

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

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

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

Status: Compliant

Board of Directors, page 33

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

Corporate Governance Report continued

Governance principle/Explanation	Further reading

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

The Board as a whole is confident that it has a strong team which contains the necessary mix and balance of experience, skills, personal qualities and capabilities to deliver the Company's strategy for the benefit of the shareholders. The Board will continue to review the collective resources of its directors and whether further resource and skills may be required to deliver on the Company's strategic objectives, in particular Project 50.

Board of Directors, page 33

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.

Further active review of the Board composition is now planned, as referenced in the CEO's Statement.

Status: Compliant

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

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

Status: Compliant

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

Brand Architekts is committed to high standards of ethical behaviour. This culture is monitored in both its Board, executive and senior manager meetings and is formalised in the Group's ethical policy, Sustainability Blueprint Code of Conduct and Company Handbook.

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

Sustainability Blueprint Code of Conduct

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

Further details on the Sustainability Blueprint Code of Conduct can be found on page 11.

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

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

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

Status: Compliant

Governance principle/Explanation	Further reading

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

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

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

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

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

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

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

Status: Compliant

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.

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

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

Further reading: Shareholder and Company News section, Company website (www.brandarchitektsplc.com)

Status: Compliant

Directors' Report

The directors present their Annual Report on the affairs of the Group, together with the financial statements and auditor's report, for the period ended 30 June 2021. The Corporate Governance Report set out on pages 34 to 37 forms part of this report.

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	(resigned 30 September 2020)
R S McDowell	
E J Beale	
C G How	(appointed 14 July 2020)
Q G A Higham	
T R J Carter	

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 30 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 the Stakeholder Engagement and Section 172 section on pages 28 to 30.

Key stakeholders

For our key stakeholders please refer to the Stakeholder Engagement and Section 172 section on pages 28 to 30.

Carbon energy reporting

As the Company consumed 40,000kWh of energy or less in the United Kingdom during the period in respect of which the Directors' Report is prepared, no further disclosures are being made with respect to carbon energy usage. Further information with regard to the initiatives taken with regard to our products and their environmental impact can be in found in our Sustainability blueprint on page 11.

Substantial shareholdings

As at 21 September 2021, 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
Octopus Investments	1,504,400	8.7
River & Mercantile Asset Mgt	1,500,000	8.7
Hargreaves Lansdown Asset Mgt	1,375,694	8.0
FIL Investment International	1,281,437	7.4
R & A Persey	982,271	5.7
Interactive Investor	651,123	3.8
City Asset Mgt	602,844	3.5
Jarvis Investment Mgt	542,163	3.1
ISPartners Investment Solutions	516,793	3.0

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 26 of the financial statements.

Notice of Meeting

This year's Annual General Meeting will be held on Monday 29 November 2021. A separate circular will be sent to shareholders and includes the following:
- notice of meeting;
- Form of Proxy; and
- details and information on the resolutions to be proposed.

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Disclosure of information to auditor

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

Roger McDowell
Non-Executive Chairman

28 September 2021
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 period ended 30 June 2021, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements and the Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements 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 30 June 2021 and of the Group's loss for the period then ended;
- the Group and Company financial statements have been properly prepared in accordance with IFRSs in conformity with the requirements 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:
- Reviewing the Group's cash flow forecast for the next 12 months.
- Consideration of the levels of cash held by the Group.
- Assessing the level of fixed overheads in forecasts compared to the cash balances held by the Group.
- Reviewing going concern related disclosures in the financial statements to ensure they are appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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:

- 1 UK trading Parent Company; and
- 2 UK trading subsidiary companies (1 wholly owned and 1 51% owned).

All 3 trading companies were subject to full scope audits performed by the Group audit team.

Those components subject to audit and specific audit procedures cover 100% (2020: 100%) of the Group's revenue from continuing and discontinued operations and 100% (2020: 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.

As is usual in our audits we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by directors that misrepresented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. They comprise the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Goodwill 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 30 June 2021, the carrying value of these balances in the Group balance sheet was £8.8m (2020: £10.4m). 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. – Reviewing the historical accuracy of management judgements made in previous impairment reviews, specifically reviewing the outcome of brands impaired in previous periods. – Corroborating evidence that supported management's assumptions surrounding the impairment of Fish, with a focus on historical performance against budget and general trends of the brand. – Benchmarking the long-term growth rate to independent market data to confirm it as appropriate. – Review of post year-end performance of brands to assess for any further indicators of impairment or where brands had performed better than expected. – Assessing and challenging management's sensitivity analysis on key assumptions and calculations, by performing our own sensitivity analysis on short-term growth forecasts and assessing their impact on the impairment charge of £1.6m recognised in relation to Fish.

As a result of the procedures performed, we are satisfied that the key assumptions used in the impairment models and the resulting conclusions drawn by management are appropriate. The impairment of £1.6m in relation to Fish reflects management's assessment that the brand will not significantly outperform current levels of trade.

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

Inventory valuation and provisioning	Work done
At 30 June 2021 the Group carried inventory of £2.3m (2020: £3.7m). An inventory provision of £0.7m is held at the period end (2020: £2.1m). 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 the outcome of the prior year estimates made by management in calculating the inventory provision and assessing the impact on the current year. – Reviewing and challenging the estimates and judgements made by management in calculating inventory provisions. We have corroborated estimates used by management surrounding the usable life of inventory to industry data and customer preferences. – Recalculating the inventory provision using the inputs and assumptions made by management. – Reviewing the net realisable value of inventory by reference to sales prices achieved since the year end. We have considered the average sales prices of inventory achieved by category and quantities held and extrapolated the results across the entire population to assess management's judgements surrounding net realisable value. – Investigating inventory which has not sold during the period under review or since the year end, along with inventory which had sold for below cost to ensure that it had been adequately provided for. – Performing sensitivity analysis on the inputs of the inventory provision and considering the impacts of this on the net realisable value of inventory. – Reviewing the level of disclosures surrounding the inventory provision, 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 market information that reflect current regulations. – Assessing the business circumstances and financial impact of releasing part of the prior period exceptional inventory provision, created following the disposal of the contract manufacturing division in the comparative period. – Ensuring consistency of disclosure and presentation of the above provision release with the comparative period.

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

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:	£158,000 (2020: £162,500)
Overall Company materiality:	£158,000 (2020: £162,500)
Performance materiality:	75% of financial statement materiality
Basis for determination for the Group	1% of revenue (2020: 1% of revenue from continuing operations)
Basis for determination for the Company:	1% of the gross assets (2020: 1% of gross assets) (see comments below)
Range of materiality at 3 components subject to full scope audits:	£5,000 – £158,000
Misstatements above which were reported to the audit committee:	£4,700

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on pages 38 and 39, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

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

Based on this understanding we designed our audit procedures to identify irregularities. Our procedures involved the following:
– Both goodwill impairment and inventory valuation were assessed as Key Audit Matters and our work in respect of them is detailed above.
– We made enquiries of senior management as to their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements. As part of these enquiries, we also discussed with management whether there have been any known instances of material fraud, of which there were none.
– We identified the individuals, including where this is managed by third parties, with responsibility for ensuring compliance with laws and regulations and discussed with them the procedures and policies in place.
– We reviewed minutes of meetings of senior management and those charged with governance.
– We challenged the assumptions and judgements made by management in its significant accounting estimates.
– We reviewed legal fees incurred in the period to identify potential breaches in laws and regulations.
– We obtained direct confirmation from the Group's legal representative to confirm they were not aware of any ongoing litigation, including that caused by non-compliance with laws and regulations.
– We audited the risk of management override of controls, including through substantively testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

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

Use of our report

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

Glenn Nicol
Senior Statutory Auditor

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

28 September 2021

Group Statement of Comprehensive Income

For the period ended 30 June 2021 and 52 weeks ended 27 June 2020

	Notes	2021 £'000	2020 £'000
Revenue	2	**15,875**	16,250
Cost of sales (including Exceptional credits /(costs))	3	**(9,530)**	(13,069)
Gross profit		**6,345**	3,181
Commercial and administrative costs		**(6,408)**	(5,859)
Operating loss before other exceptional items		**(63)**	(2,678)
Other exceptional items	3	**(1,600)**	(1,444)
Operating loss		**(1,663)**	(4,122)
Finance income	7	**2**	77
Finance expense	8	**(224)**	(301)
Loss before taxation	4	**(1,885)**	(4,346)
Taxation	9	**(314)**	55
Loss for the year		**(2,199)**	(4,291)
Profit on discontinued operations after taxation	27	**–**	6,529
(Loss)/Profit for the year		**(2,199)**	2,238
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit liability		**2,786**	(4,086)
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**–**	(49)
Other comprehensive income/(loss) for the year		**2,786**	(4,135)
Total comprehensive income/(loss) for the year		**587**	(1,897)
(Loss)/profit attributable to:			
Equity shareholders		**(2,253)**	2,217
Non-controlling interests		**54**	21
Total comprehensive income/(loss) attributable to:			
Equity shareholders		**533**	(1,918)
Non-controlling interests		**54**	21
Earnings per share	11		
– basic		**(13.1)p**	12.9p
– diluted		**(13.1)p**	12.9p
Dividends	10		
Paid in year (£'000)		**Nil**	745
Paid in year (pence per share)		**Nil**	4.35p
Proposed (£'000)		**Nil**	Nil
Proposed (pence per share)		**Nil**	Nil

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

Group Statement of Financial Position

For the period ended 30 June 2021 and 52 weeks ended 27 June 2020

	Notes	2021 £'000	2020 £'000
ASSETS			
Non-current assets			
Property, plant and equipment including right-of-use assets	12	**67**	142
Intangible assets	13	**10,118**	11,714
Deferred tax assets	22	**2,605**	2,515
Total non-current assets		**12,790**	14,371
Current assets			
Inventories	15	**2,299**	3,724
Trade and other receivables	16	**3,651**	3,969
Cash and cash equivalents		**19,018**	21,240
Current tax receivable		**432**	836
Total current assets		**25,400**	29,769
Total assets		**38,190**	44,140
LIABILITIES			
Current liabilities			
Trade and other payables	17	**2,602**	4,503
Interest-bearing loans and borrowings	18	**–**	1,029
Total current liabilities		**2,602**	5,532
Non-current liabilities			
Interest-bearing loans and borrowings	19	**–**	1,066
Post-retirement benefit obligations	25	**10,418**	13,237
Lease liabilities	20	**–**	81
Deferred tax liabilities	22	**1,475**	1,154
Total non-current liabilities		**11,893**	15,538
Total liabilities		**14,495**	21,070
Net assets		**23,695**	23,070
EQUITY			
Share capital	23	**862**	862
Share premium	23	**11,987**	11,987
Revaluation of investment reserve	23	**–**	–
Exchange reserve	23	**–**	–
Pension re-measurement reserve	23	**(7,802)**	(10,588)
Retained earnings	23	**18,496**	20,711
Equity attributable to holders of the parent		**23,543**	22,972
Non-controlling interest		**152**	98
Total equity		**23,695**	23,070

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

Approved by the Board on 28 September 2021 and signed on its behalf by

Tom Carter

Thomas Carter
Chief Financial Officer and Company Secretary

Company Number: 01975376

Company Statement of Financial Position

For the period ended 30 June 2021 and 52 weeks ended 27 June 2020

	Notes	2021 £'000	2020 £'000
ASSETS			
Non-current assets			
Intangible assets	13	**1,271**	2,949
Deferred tax assets	22	**2,605**	2,515
Investments	14	**12,084**	12,084
Total non-current assets		**15,960**	17,548
Current assets			
Trade and other receivables	16	**254**	218
Cash and cash equivalents		**16,681**	20,499
Current tax receivable		**–**	373
Total current assets		**16,935**	21,090
Total assets		**32,895**	38,638
LIABILITIES			
Current liabilities			
Trade and other payables	17	**4,487**	5,281
Interest-bearing loans and borrowings	18	**–**	1,029
Total current liabilities		**4,487**	6,310
Non-current liabilities			
Interest-bearing loans and borrowings	19	**–**	1,066
Post-retirement benefit obligations	25	**10,418**	13,237
Total non-current liabilities		**10,418**	14,303
Total liabilities		**14,905**	20,613
Net assets		**17,990**	18,025
EQUITY			
Share capital	23	**862**	862
Share premium	23	**11,987**	11,987
Capital reserve	23	**467**	467
Pension re-measurement reserve	23	**(7,802)**	(10,588)
Retained earnings	23	**12,476**	15,297
Total equity		**17,990**	18,025

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

Approved by the Board on 28 September 2021 and signed on its behalf by

Tom Carter

Thomas Carter
Chief Financial Officer and Company Secretary

Company Number: 01975376

Group Statement of Changes in Equity

For the period ended 30 June 2021 and 52 weeks ended 27 June 2020

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

Group	Share capital £'000	Share premium £'000	Revaluation of investment reserve £'000	Exchange reserve £'000	Pension re-measurement reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
Balance as at June 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 charge	–	–	–	–	–	(162)	–	(162)
Realisation of exchange differences on sale of subsidiary	–	–	–	196	–	–	–	196
Transactions with owners	5	–	–	196	–	(907)	(47)	(753)
Profit for the year attributable to equity shareholders	–	–	–	–	–	2,217	–	2,217
Other comprehensive income:								
Re-measurement 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

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

Company Statement of Changes in Equity

For the period ended 30 June 2021 and 52 weeks ended 27 June 2020

Company	Share capital £'000	Share premium £'000	Revaluation of investment reserve £'000	Capital reserve £'000	Pension re-measurement reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at June 2020	**862**	**11,987**	**–**	**467**	**(10,588)**	**15,297**	**18,025**
Share-based payments	–	–	–	–	–	**31**	**31**
Transactions with owners	–	–	–	–	–	**31**	**31**
Loss for the year	–	–	–	–	–	**(2,852)**	**(2,852)**
Other comprehensive income:							
Re-measurement of defined benefit liability	–	–	–	–	**2,786**	–	**2,786**
Total comprehensive income for the year	–	–	–	–	**2,786**	**(2,852)**	**(66)**
Balance as at June 2021	**862**	**11,987**	**–**	**467**	**(7,802)**	**12,476**	**17,990**

Company	Share capital £'000	Share premium £'000	Revaluation of investment reserve £'000	Capital reserve £'000	Pension re-measurement 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:							
Re-measurement 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

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

Cash Flow Statement

For the period ended 30 June 2021 and 52 weeks ended 27 June 2020

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Cash flow from operating activities				
(Loss)/profit before taxation	**(1,885)**	2,183	**(3,116)**	5,627
Depreciation	**7**	93	**–**	–
Amortisation/impairment	**1,880**	1,204	**1,678**	1,020
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	**(2)**	(77)	**(2)**	(149)
Finance cost	**224**	324	**221**	278
Decrease in inventories	**1,425**	1,487	**–**	–
Decrease/(increase) in trade and other receivables	**318**	(494)	**227**	(214)
(Decrease)/increase in trade and other payables	**(687)**	923	**(799)**	(1,562)
Share-based payment expense/(credit)	**38**	(124)	**36**	(124)
Contributions to defined benefit plans	**(318)**	(318)	**(318)**	(318)
Cash generated from operations	**1,000**	(6,946)	**(2,073)**	(8,138)
Finance expense paid	**(28)**	(128)	**(25)**	(82)
Taxation received/(paid)	**381**	(773)	**373**	(50)
Net cash flow from operating activities	**1,353**	(7,847)	**(1,725)**	(8,270)
Cash flow from investing activities				
Purchase of property, plant and equipment	**(66)**	(28)	**–**	–
Purchase of intangible assets	**(284)**	(101)	**–**	–
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	**(350)**	33,811	**–**	33,940
Cash flow from financing activities				
Repayment of movements in invoice discounting facility	**(1,132)**	(3,187)	**–**	(3,592)
Finance income received	**2**	77	**2**	149
Repayment of loans	**(2,095)**	(1,135)	**(2,095)**	(1,135)
Lease payments	**–**	(52)	**–**	–
Issue of new shares	**–**	5	**–**	5
Dividends paid	**–**	(813)	**–**	(745)
Net cash flow from financing activities	**(3,225)**	(5,105)	**(2,093)**	(5,318)
Net (decrease)/increase in cash and cash equivalents	**(2,222)**	20,859	**(3,818)**	20,352
Cash and cash equivalents at beginning of year	**21,240**	381	**20,499**	147
Cash and cash equivalents at end of year	**19,018**	21,240	**16,681**	20,499

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 at the end of the financial report. The nature of the Group's operations and its principal activities are set out in the Strategic Report. The Group have moved to a traditional 12 month calendar year and as such have drawn the accounts to 30 June 2021. In prior years, the accounts were prepared on a 52 week year basis.

Basis of preparation
The Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006 and also in accordance with IFRS issued by the International Accounting Standards Board. These financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain non-current assets and financial instruments.

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

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

Discontinued activities
As a result of the disposal of the manufacturing business (completed 23 August 2019), these operations have been disclosed as discontinued within the comparative information. No operations have been classified as discontinued in the period to 30 June 2021.

Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings. The results and net assets of undertakings acquired or disposed of during a financial year are included in the Group Statement of Comprehensive Income and Group Statement of Financial Position from the effective date of acquisition or to the effective date of disposal. Subsidiary undertakings have been consolidated using the purchase method of accounting. In accordance with the exemptions given by section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The Company's loss after tax for the year to June 2021 was £2.852m (2020: profit after tax £5.518m).

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 30 June 2021. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

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

Intangible assets
(i) Computer software
Computer software is stated at cost less accumulated amortisation. Computer software is amortised on a straight-line basis over the expected useful life of three years. Amortisation is recognised at the point an asset is complete.

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

Customer relationships are amortised on a straight-line basis over 5 or 10 years, based on evaluation at point of acquisition. Amortisation is charged to commercial and administrative expenses and adjusted for in the calculation of underlying result.

Brand names are 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 and is recognised at the point an asset is complete.

Impairment of assets

An impairment test is performed annually where required and whenever events and circumstances indicate that the carrying value of an asset may exceed its recoverable amount. The carrying value is compared against the expected recoverable amount of the asset, 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. 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 a new customers or contracts are written off as incurred and are not taken into consideration in when assessing the cost of fulfilling a contract as contracts tend to be satisfied in a period of less than 12 months.

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

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

Employee benefits
Pension obligations
The Group operates both defined benefit and defined contribution pension plans.

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

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

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 re-measured 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.

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

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

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

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

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

Notes to the Accounts continued

Note 1 Significant accounting policies continued

Distributions to shareholders

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

Exceptional items

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

Significant management judgement in applying accounting policies

The following is the significant management judgement in applying the accounting policies of the Group that has 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 25. 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 £10.4m (2020: £13.2m) 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 25.

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 £128,000 (2020: £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 £128,000 (2020: £165,000).

Impact of new standards adopted during the period

No new standards have been adopted during the period.

Standards in issue but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published 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.

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

Note 2 Segmental analysis

During the year, there were only two reportable segments of the Group (three in the comparative period); the reportable segments of the Group were aggregated as follows:

- Brands – we leverage our skilled resources to develop and market a growing portfolio of Brand Architekts Group owned and managed brands. These include those organically developed plus the acquisitions of the portfolio of brands included in the Brand Architekts acquisition (in 2016) and the Fish brand acquired during 2018.
- 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 inter-segment items, are presented within "Eliminations and central costs".

This is the basis on which the Group presents its operating results to the directors, who are 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 have concluded that the activity and geographical segmentation disclosures set out below represent the most appropriate categories of disaggregation.

a) Principal measures of profit and loss – Income Statement segmental information for period ended 30 June 2021 and 52 weeks ending 27 June 2020:

Period ended 30 June 2021	Brands £'000	Eliminations and central costs £'000	Total £'000	2020 £'000
UK revenue	**13,447**	–	**13,447**	18,637
International revenue	**2,428**	–	**2,428**	5,093
Revenue – external	**15,875**	–	**15,875**	23,730
Revenue – internal	–	–	–	–
Total revenue	**15,875**	–	**15,875**	23,730
Discontinued operation	–	–	–	(7,480)
Total revenue – continuing operations	**15,875**	–	**15,875**	16,250
Underlying profit/(loss) from operations[1]	**917**	**(1,190)**	**(273)**	(788)
Charge for share-based payments	**(6)**	**(32)**	**(38)**	(4)
Amortisation of acquisition-related intangibles	–	**(240)**	**(240)**	(260)
Exceptional items included in cost of sales (Note 3)	**488**	–	**488**	(2,535)
Other exceptional items (Note 3)	–	**(1,600)**	**(1,600)**	6,016
Net borrowing costs	**(4)**	**(218)**	**(222)**	(246)
Segment profit included in discontinued operations	–	–	–	(6,529)
Profit/(loss) before taxation	**1,395**	**(3,280)**	**(1,885)**	(4,346)
Tax (charge)/credit	**(259)**	**(55)**	**(314)**	55
Profit for the period from continuing activities	**1,136**	**(3,335)**	**(2,199)**	(4,291)

Notes to the Accounts continued

Note 2 Segmental analysis continued

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 operation	–	(7,924)	444	(7,480)	(57,662)
Total revenue – continuing operations	16,255	–	(5)	16,250	19,676
Underlying 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)
Profit/(loss) 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

* The underlying result is calculated net of eliminations.

The underlying result in the period to 30 June 2021 is derived wholly from continuing activities. For the 52 week period ended 27 June 2020 underlying result was split between continuing and discontinued activities 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)

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:

Period ended 30 June 2021	**Brands £'000**	**Manufacturing £'000**	**Eliminations and central costs £'000**	**Total £'000**
Depreciation	**7**	**–**	**–**	**7**
Amortisation/impairment[1]	**280**	**–**	**1,600**	**1,880**

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 £1.6m (2020: £0.9m) in central costs is included in exceptional items.

c) Principal measures of assets and liabilities

The Group's assets and liabilities are managed centrally by the CODM and consequently there is no reconciliation between the Group's assets per the Statement of Financial Position and the segment assets. All assets and liabilities in relation to the contract manufacturing division 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	Period ended 30 June 2021 £'000	52 weeks ended 27 June 2020 £'000
UK	**13,447**	18,637
Other European Union countries	**970**	2,683
Rest of the world	**1,458**	2,410
	15,875	23,730

Geographical segments – continuing operations	Period ended 30 June 2021 £'000	52 weeks ended 27 June 2020 £'000
UK	**13,447**	13,796
Other European Union countries	**970**	541
Rest of the world	**1,458**	1,913
	15,875	16,250

In the period ended 30 June 2021, the Group had one customer that exceeded 10% of total revenues, being 24%. 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.

Note 3 Exceptional items

Exceptional charges/(credits) from continuing operations:	Period ended 30 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Included within cost of sales:		
Inventory related	**(488)**	2,535
Other exceptional items:		
Impairment of intangible assets	**1,600**	928
Severance costs (including social security costs)	**–**	311
Consultancy fees	**–**	205
	1,600	1,444
Total exceptional items from continuing operations	**1,112**	3,979

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

The comparative period exceptional items charge represents a provision of £2.5m for payments due to manufacturers for inventory not expected to be utilised and changes in estimates surrounding the valuation of inventory. Other exceptional items included £0.9m impairment of the RSC brand, £0.3m cost in relation to the departure of the former Chief Executive Officer and £0.2m exceptional consultancy fees following the reorganisation of the group.

Exceptional charges/(credits) from discontinued operations (Note 27):	Period ended 30 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Other exceptional items:		
Profit on disposal of the manufacturing division	**–**	(8,922)
Bonus payments	**–**	1,116
Inventory write offs and disposal costs	**–**	346
	–	(7,460)

Notes to the Accounts continued

Note 4 Loss before taxation

	2021 £'000	2020 £'000
(a) This is stated after charging/(crediting)		
Depreciation of property, plant and equipment of purchased assets	**7**	93
Amortisation of intangible assets	**280**	276
Impairment of intangible assets (classified as exceptional – Note 3)	**1,600**	928
Research	**–**	177
Foreign exchange (gains)/losses	**21**	3
Gain on disposal of subsidiaries	**–**	8,922
Amounts expensed for short-term and low-value leases	**59**	5
(b) Auditors' remuneration		
Audit services:		
Audit of the Company financial statements	**28**	41
Audit of subsidiary undertakings	**12**	11
Audit-related services:		
Interim review	**2**	7
Other non-audit services:		
Corporate finance advice	**–**	9

Note 5 Staff costs

	2021 £'000	2020 £'000
Wages and salaries	**2,266**	2,928
Social security costs	**280**	337
Other pension costs	**69**	153
	2,615	3,418

For the comparative period, the above table excludes wages and salaries included within Exceptional Items (being severance costs and employee bonuses paid on disposal of the manufacturing division – see Note 3).

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

	2021 Number	2020 Number
Production	**–**	61
Distribution	**–**	2
Administration	**40**	44
	40	107

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

	Salary/fees £'000	Bonuses £'000	Pension contributions £'000	Total 2021 £'000	Total 2020 £'000
Executive Directors					
T J Perman (resigned 30 September 2019)	–	–	–	**–**	624
J M Fletcher (resigned 23 August 2019)	–	–	–	**–**	251
M Gazzard (resigned 23 August 2019)	–	–	–	**–**	201
Q G A Higham	185	88	17	**290**	30
T R J Carter	157	73	12	**242**	–
Non-Executive Directors					
B M Hynes (resigned 28 September 2020)	15	–	–	**15**	76
E J Beale	29	–	–	**29**	28
R S McDowell	53	–	–	**53**	29
F P Berrebi (resigned 29 June 2019)	–	–	–	**–**	1
C G How	29	–	–	**29**	311
	468	161	29	**658**	1,551

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

Share options:	Number of share options at June 2020	Number of share options lapsed in year	Number of share options awarded in year	Number of share options exercised in the year	Number of share options at June 2021	Exercise price	Earliest exercise date	Exercise expiry date
Q Higham	–	–	145,228	–	145,228	Nil	30/09/23	30/09/30
T Carter	–	–	102,282	–	102,282	Nil	30/09/23	30/09/30
Total share options	**–**	**–**	**247,510**	**–**	**247,510**			

The mid-market price of the Ordinary Shares on 30 June 2021 was 189.0p (2020: 125.0p) and the range during the period to 30 June 2021 was 109.8p to 200.0p (52 weeks to 27 June 2020: 97.5p to 245.0p).

Note 6 Share-based employee remuneration

Executive and managers share option scheme

The Group operates both approved and unapproved share option schemes.

Date of grant	Number of share options granted	Number of phantom options granted	Exercise price	Fair value pence	Amount expensed in year-ended June 2021 £'000	Period of expense
2020 Share options – managers	89,000	–	120.5p	32p	6	3 years
2020 LTIP – executives' share options	247,510	–	Nil	51p	32	3 years
Total options granted	**336,510**	**–**			**38**	

The total number of Ordinary Shares subject to options and which could, in the future, be issued, is 336,510. This represents 1.95% of the issued share capital of the Company which comprised 17,230,702 Ordinary Shares at the reporting date.

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

The Group has calculated the fair value of the LTIP options using a Monte Carlo simulation, as they include market-based performance criteria.

Period-ended June 2021 awards

All of the options granted under the LTIP on 30 September 2020 had two performance conditions attached to them. 100% of the award is linked to certain share price targets and the achievement of the individual performance targets over the plan cycle. To the extent that both of the performance conditions are met at the end of the three-year performance cycle, then the options can be exercised at nil cost. Upon vesting, 100% of the award will be made in shares.

The 34,000 manager share options which remained in place at the year ended 27 June 2020 were cancelled in September 2020. New options were granted over the same number of Ordinary Shares to certain employees under a Company Share Option Scheme (CSOP). These options have an exercise price of 120.5p and no performance conditions attached, other than continued employment of staff, vesting after a minimum of three years and a maximum exercise date of 10 years. The Company also granted new options over 51,000 Ordinary Shares in the Company to employees under the same scheme and conditions.

Notes to the Accounts continued

Note 7 Finance income

Attributable entirely to ongoing operations	2021 £'000	2020 £'000
Bank interest receivable	**2**	77
	2	77

Note 8 Finance costs

Total	2021 £'000	2020 £'000
Bank loans, overdrafts and lease interest	**28**	128
Pension plan notional finance charge	**196**	196
	224	324

Ongoing operations	2021 £'000	2020 £'000
Bank loans, overdrafts and lease interest	**28**	105
Pension plan notional finance charge	**196**	196
	224	301

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

	2021 £'000	2020 £'000
UK corporation tax:		
– on profit for the year	**–**	14
– adjustment in respect of previous years	**(1)**	(323)
Total current tax (credit)/charge	**(1)**	(309)
Deferred tax:		
– current year (credit)	**(36)**	(283)
– prior year charge/(credit)	**–**	115
– effect of tax rate change on opening balance	**351**	(122)
– non-recognition of deferred tax asset for losses	**–**	544
Total deferred tax charge	**315**	254
Tax charge/(credit)	**314**	(55)

(b) Factors affecting total tax charge for the year

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

	2021 £'000	2020 £'000
(Loss)/profit before taxation (from continuing and discontinued activities)	**(1,885)**	2,183
Tax at the applicable rate of 19.00% (2020: 19.00%)	**(358)**	415
Effect of:		
Adjustment in respect of previous years	**(1)**	(208)
Expenses not deductible for tax purposes	**6**	–
Income not taxable for tax purposes	**(3)**	(806)
Deferred tax asset not recognised on taxable losses	**319**	–
Remeasurement of deferred tax for changes in tax rates	**351**	544
Actual tax charge	**314**	(55)

The Group has tax losses of £4.9m (2020: £2.9m) which have not been recognised as there is no certainty that they can be utilised.

Note 10 Payments to shareholders

	2021 £'000	2020 £'000
Final dividend paid – £nil (2020: 4.35p) per share	**–**	745
Interim dividend paid – £nil (2020: £nil) per share	**–**	–
	–	745

No dividends were paid to the non-controlling interests in the period (2020: £68,000).

The Group has not delivered an operating profit this year as a result of the difficult trading conditions due to Covid-19. Accordingly, the Board will not be proposing a final dividend. The Group's dividend policy will be kept under review and further updates made as appropriate.

Note 11 Earnings per share

	2021	2020
Basic and diluted		
(Loss)/profit for the year attributable to equity holders (£'000)	**(2,253)**	2,217
(Loss)/profit for the year from continuing operations attributable to equity holders (£'000)	**(2,253)**	(4,312)
Basic weighted average number of Ordinary Shares in issue during the year	**17,230,702**	17,143,646
Diluted number of shares	**17,319,702**	17,143,646
Basic earnings/(loss) per share	**(13.1)p**	12.9p
Diluted earnings/(loss) per share	**(13.1)p**	12.9p
Basic (loss)/earnings per share from continuing operations	**(13.1)p**	(25.2)p
Diluted (loss)/earnings per share from continuing operations	**(13.1)p**	(25.2)p

Basic earnings per share has been calculated by dividing the profit for each financial year by the weighted average number of Ordinary Shares in issue at 30 June 2021 and 27 June 2020 respectively.

Notes to the Accounts continued

Note 12 Property, plant and equipment

Group	Plant and machinery £'000
Cost:	
At June 2019	40
IFRS 16 – right-of-use assets recognised on transition	186
Additions	28
At June 2020	254
IFRS 16 – right-of-use asset disposed of	(186)
Additions	66
At June 2021	**134**
Depreciation:	
At June 2019	19
Provided during the year	93
Disposals	–
At June 2020	112
Provided during the year	7
IFRS 16 – right-of-use asset disposed of	(52)
Disposals	–
At June 2021	**67**
Net book value:	
At June 2021	**67**
At June 2020	142

During the period a lease, for which a right-of-use asset was previously recognised, was renegotiated on a rolling six-month basis. This resulted in the de-recognition of the right of use asset and the associated lease liability.

The carrying value of right of uses assets included in plant and machinery is £nil (2020: £134,000).

No property, plant and equipment was held by the Company during the year ending 30 June 2021, or the comparative period.

Note 13 Intangible assets

Group	Software £'000	Brand names £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost:					
At June 2019	–	8,715	2,126	2,618	13,459
Additions	101	–	–	–	101
At June 2020	101	8,715	2,126	2,618	13,560
Additions	284	–	–	–	284
At June 2021	**385**	**8,715**	**2,126**	**2,618**	**13,844**
Amortisation:					
At June 2019	–	–	642	–	642
Provided during the year	16	–	260	–	276
Impairment charge during the year	–	924	4	–	928
Disposals	–	–	–	–	–
At June 2020	16	924	906	–	1,846
Provided during the year	40		240	–	280
Impairment charge during the year	–	1,600	–	–	1,600
Disposals	–	–	–	–	–
At June 2021	**56**	**2,524**	**1,146**	**–**	**3,726**
Net book value:					
At June 2021	**329**	**6,191**	**980**	**2,618**	**10,118**
At June 2020	85	7,791	1,220	2,618	11,714

Company	Software £'000	Brand names £'000	Customer relationships £'000	Total £'000
Cost:				
At June 2019	–	3,624	480	4,104
At June 2020	–	3,624	480	4,104
At June 2021	**–**	**3,624**	**480**	**4,104**
Amortisation:				
At June 2019	–	–	135	135
Provided during the year	–	–	92	92
Impairment charge during the year	–	924	4	928
At June 2020	–	924	231	1,155
Provided during the year	–	–	78	78
Impairment charge during the year	–	1,600	–	1,600
At June 2021	**–**	**2,524**	**309**	**2,833**
Net book value:				
At June 2021	**–**	**1,100**	**171**	**1,271**
At June 2020	–	2,700	249	2,949

Impairment testing

The two brands (Brand Architekts and Fish) and associated goodwill have been tested for impairment as they have indefinite useful lives. Brand Architekts gave a valuation in excess of its carrying values, however Fish was partially impaired by £1,600,000 given the decline in revenue for the brand, reflecting the pressures on the male grooming category in the UK and the high street retail channel.

Sensitivity analysis on the discount rate and growth rates was carried out on Brand Architekts to ascertain whether any reasonable change in assumptions would cause an impairment; no such impairment was found. A similar sensitivity analysis was carried out on Fish, which informed the impairment charge of £1,600,000.

As per previous years, 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 for current market assessments of the time value of money and risks specific to the brand. The discount rate applied is a pre-tax 8%, an increase of 2% versus the prior year, reflecting expected returns for AIM-listed businesses as well as the debt-free capital structure of the Group.

Growth assumptions

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

Discount rates

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

Cash flow assumptions

Management's key assumptions include 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 with indefinite useful lives for Brand Architekts remains at £7,709,000 (comprising goodwill of £2,618,000 and brands of £5,091,000), while the Fish brand net carry value, after the partial impairment, is £1,100,000.

Notes to the Accounts continued

Note 14 Investments

Company	Investments in subsidiaries £'000
Cost:	
At June 2020	18,318
At June 2021	**18,318**
Provision for impairment:	
At June 2020	(6,234)
At June 2021	**(6,234)**
Net book value:	**12,084**

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
Bagsy Beauty 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 period several dormant subsidiaries of the Company were dissolved. The cost of these dormant subsidiaries had been impaired down to nil historically.

Note 15 Inventories

Group	2021 £'000	2020 £'000
Raw materials	**16**	27
Finished goods and goods for resale	**2,283**	3,697
	2,299	3,724

The Group consumed inventories (from continuing activities) totalling £9.5m during the year (2020: £16.3m from continuing and discontinued activities). No items are being carried at fair value less cost to sell (2020: £nil).

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

	2021 £'000
Opening balance	**(2,055)**
Utilised/released in the period	**1,378**
Closing balance	**(677)**

Note 16 Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Trade receivables	**2,818**	3,665	**4**	–
Amounts owed by Group undertakings	**–**	–	**230**	193
Other receivables	**617**	170	**2**	3
Prepayments	**216**	134	**18**	22
	3,651	3,969	**254**	218

The amounts owed by Group undertakings relate to intercompany receivables. The increase in other receivables relates to deposits paid to Far East suppliers for Christmas Gift stock orders.

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

Group	**2021 £'000**	2020 £'000
Opening balance	**43**	–
Impairment loss recognised	**–**	(11)
(Credit)/charge to profit and loss	**(11)**	54
Closing balance	**32**	43

An allowance has been made for estimated irrecoverable amounts of £32,000 (2020: £43,000). The estimated irrecoverable amount is arrived at by considering the historic loss rate and adjusting for current expectations, client base and economic conditions. Both historic losses and expected future losses being very low, the directors consider it appropriate to apply a single average rate for expected credit losses to the overall population of trade receivables and accrued income. The single expected loss rate applied is 1.1% (2020: 1.2%). The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Ageing of trade receivables:

Group	**2021 £'000**	2020 £'000
Current	**2,587**	3,098
Overdue but less than 90 days	**206**	482
More than 90 days overdue	**25**	85
	2,818	3,665

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	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Trade payables	**1,040**	1,376	**15**	64
Amounts owed to subsidiaries	**–**	–	**4,139**	4,917
Other taxes and social security costs	**64**	412	**–**	–
Accruals	**1,492**	1,497	**319**	287
Commercial Invoice Discounting facility	**–**	1,132	**–**	–
Lease liabilities	**–**	52	**–**	–
Other payables	**6**	34	**14**	13
	2,602	4,503	**4,487**	5,281

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

The Commercial Invoice Discounting (CID) facility was repaid in the period. In the prior year, it allowed a regular drawdown of cash funds in sterling and foreign currencies, and was secured on the book debts of the Group. This facility carried an interest rate of 1.5% over base and was repayable on demand.

Notes to the Accounts continued

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

Group and Company	2021 £'000	2020 £'000
Secured loans	–	1,029

The Group's loan facilities were repaid in full in the period. The loans were secured by fixed and floating charges over all of the Group's assets, and were over fixed terms of between one and three years at a fixed annual interest rate of 2.35%.

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	2021 £'000	2020 £'000
Secured loans:		
Between one and two years	–	650
Between two and five years	–	416
	–	1,066

Note 20 Lease liabilities

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

Group	2021 £'000	2020 £'000
Within one year	–	52
In the second to fifth years inclusive	–	81
	–	133

The Company had no lease commitments.

Note 21 Financial instruments

At 30 June 2021, there were sums totalling £532,000 (2020: £403,000) held in foreign currency bank accounts.

The Group uses financial instruments comprising borrowings, cash and cash equivalents, and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

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

Interest rate risk

The Group finances its operations through a mixture of debt and equity.

The Group Statement of Financial Position also includes financial assets in the form of cash at bank and in hand totalling £19,018,000 (2020: £21,240,000) which are exposed to floating interest rates based on bank base rates.

Foreign currency risk

The Group is exposed to transactional foreign exchange risk. The Group seeks to hedge its exposures using bank facilities denominated in euros, US dollars, and Canadian dollars, and 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 1% (2020: 7%) of the Group's total sales in the year were invoiced in euros and 6% (2020: 10%) in US dollars. These sales are calculated in sterling, but invoiced in euros/US dollars. The Group policy is to minimise currency exposures on balances for which settlement is not anticipated until a later date through the use of the respective bank facilities. All other Group sales are denominated in sterling.

A 5% weakening of sterling would result in a £59,000 decrease in reported profits and equity, while a 5% strengthening of sterling would result in a £57,000 increase in profits and equity.

Liquidity risk

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

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

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

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

	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	–

Working capital

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

The Group has no undrawn committed borrowing facilities available at June 2021 (2020: £3.9m).

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.

Notes to the Accounts continued

Note 21 Financial instruments continued

Financial assets

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

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Loans and receivables	**22,668**	25,209	**16,935**	20,717
	22,668	25,209	**16,935**	20,717

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

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Current assets:				
Trade receivables	**2,818**	3,665	**4**	–
Other receivables and prepayments	**833**	304	**20**	25
Intercompany receivables	**–**	–	**230**	193
Cash and cash equivalents	**19,018**	21,240	**16,681**	20,499
	22,669	25,209	**16,935**	20,717

Financial liabilities

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

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Current liabilities:				
Borrowings	**–**	1,029	**–**	1,029
Trade payables	**1,040**	1,376	**15**	64
Intercompany payables	**–**	–	**4,139**	4,917
Accruals	**1,492**	1,497	**319**	287
Other payables	**70**	1,624	**14**	11
Non-current liabilities:				
Borrowings	**–**	1,066	**–**	1,066
	2,602	6,592	**4,487**	7,374

Note 22 Deferred tax

The movement in deferred tax provisions is analysed as follows:

Group	£'000
Deferred taxation	
At June 2019 (net asset)	(90)
Recognised in profit or loss[1]	(312)
Recognised in other comprehensive income	(959)
At June 2020 (net asset)	(1,361)
Recognised in profit or loss (including adjustments to the rate at which deferred tax is provided)	321
Recognised in other comprehensive income (including adjustments to the rate at which deferred tax is provided)	(90)
At June 2021 (net asset)	**(1,130)**

	2021 £'000	2020 £'000
Deferred tax is represented by:		
Differences between book value and tax written down value	**1,475**	1,154
Temporary difference on post-retirement benefit obligations	**(2,605)**	(2,515)
	1,130	(1,361)
Recognised as:		
Deferred tax assets	**(2,605)**	(2,515)
Deferred tax liabilities	**1,475**	1,154
	(1,130)	(1,361)

Company	£'000
Deferred taxation	
At June 2019 (net asset)	(1,148)
Recognised in profit or loss[1]	(408)
Recognised in other comprehensive income	(959)
At June 2020 (net asset)	(2,515)
Recognised in profit or loss	
Recognised in other comprehensive income (including adjustments to the rate at which deferred tax is provided)	(90)
At June 2021	**(2,605)**

	2021 £'000	2020 £'000
Deferred tax is represented by:		
Temporary difference on post-retirement benefit obligations	**(2,605)**	(2,515)
	(2,605)	(2,515)
Recognised as:		
Deferred tax assets	**(2,605)**	(2,515)
	(2,605)	(2,515)

1 Amounts recognised within profit and loss in the prior period include £561,000 of deferred tax liabilities disposed of with the manufacturing division (processed through the profit on disposal – see Note 27).

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

Deferred tax has been provided for based on a tax rate of 25% (2020: 19%), being the substantively enacted tax rate.

No deferred tax assets have been recognised for taxable losses carried forward due to the uncertainty over their utilisation in the current economic environment. The Group and Company have taxable losses of £4.9m (2020: £2.9m for Group and Company) for which no deferred tax asset has been recognised.

Notes to the Accounts continued

Note 23 Share capital and reserves

	2021 £'000	2020 £'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 30 June 2021 and 27 June 2020	**862**	862

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

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

Revaluation of investment reserve
This reserve represented gains and losses on equity investments that were disposed of as part of the manufacturing business.

Exchange reserve
This reserve represents exchange differences that had arisen on translation of the foreign controlled entity that had been recognised in other comprehensive income and accumulated in a separate reserve within equity. All foreign subsidiaries were disposed of as part of the manufacturing business.

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

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

Note 24 Notes to Cash Flow Statement

Group

	2021 £'000	2020 £'000
(Decrease)/increase in cash and cash equivalents	**(2,222)**	20,859
Net cash outflow from decrease in borrowings	**3,227**	4,322
Change in net cash/(debt)	**1,005**	25,181
Opening net cash/(debt)	**18,013**	(7,168)
Closing net cash/(debt)	**19,018**	18,013

Analysis of net cash/(debt):

	Closing 2020 £'000	Cash flow £'000	Closing 2021 £'000
Cash at bank and in hand	21,240	(2,222)	**19,018**
CID facility	(1,132)	1,132	**–**
Borrowings due within one year	(1,029)	1,029	**–**
Borrowings due after one year	(1,066)	1,066	**–**
	18,013	1,005	**19,018**

Company

	2021 £'000	2020 £'000
Increase/(decrease) in cash and cash equivalents	**(3,818)**	20,352
Net cash outflow from decrease in borrowings	**2,095**	4,727
Change in net cash/(debt)	**(1,723)**	25,079
Opening net cash/(debt)	**18,404**	(6,675)
Closing net cash/(debt)	**16,681**	18,404

Analysis of net cash/(debt):

	Closing 2020 £'000	Cash flow £'000	Closing 2021 £'000
Cash at bank and in hand	20,499	(3,818)	**16,681**
Borrowings due within one year	(1,029)	1,029	**–**
Borrowings due after one year	(1,066)	1,066	**–**
	18,404	(1,723)	**16,681**

Note 25 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 £69,000 (2020: £120,000). 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 operate a funded defined benefit plan, the Aerosols International Pension Plan (the Plan) in the UK, which provides both pensions in retirement and death benefits to members.

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

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

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

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

	2021 £'000	2020 £'000
Company pension contributions	**–**	–
Deficit recovery payments	**318**	318
Plan administrative expenses	**155**	121
Pension Protection Fund premium	**165**	121
Total	**638**	560

Notes to the Accounts continued

Note 25 Post-retirement benefits continued

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

	2021 £'000	2020 £'000
In operating profit:		
Plan administrative expenses	**155**	121
Pension Protection Fund premium	**165**	121
	320	242
In exceptional items (Note 3):	**–**	–
Past service measurement gain on pension scheme – included in profit on disposal of manufacturing division – see Note 27	**–**	(1,103)
In finance costs:		
Unwinding of notional discount factor	**196**	196
Total	**516**	(665)

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

Anticipated payments by the Company in respect of plan administrative expenses and the Pension Protection Fund premium in the year ending 30 June 2022 are expected to be of a similar order of magnitude to payments in 2021.

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 2021 are:

	2021 £'000
Decrease in pension and other benefit obligations	**2,696**
Increase in related deferred tax asset	**90**
Increase in equity	**2,786**

The related deferred tax asset to the pension liability has increased although the pension liability has decreased. This is because of the change in rate at which deferred tax is provided. See Note 22.

Accounting standards require the discount rate used for valuations under IAS 19 "Employee Benefits" to be based on yields on high-quality (usually AA-rated) corporate bonds of appropriate currency, taking into account the term of the relevant pension plan's liabilities. Corporate bond indices are used as a proxy to determine the discount rate. At the reporting date, the yields on bonds of all types were higher than they were at 30 June 2020. This has resulted in higher discount rates being adopted for accounting purposes compared to last year. This has decreased the fair value of the plan liabilities as measured under IAS 19, which combined with an improvement in the fair value of the scheme's assets, has translated into a decreased liability under the IAS 19 methodology. For accounting purposes at 30 June 2021, the Group recognised, under IAS 19, a net liability of £10.4m (2020: £13.2m).

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

	2021	2020
Discount rate	**2.00%**	1.50%
Inflation assumption (RPI)	**3.10%**	2.75%
Inflation assumption (CPI)	**2.75%**	1.85%
Deferred revaluation for benefits in excess of GMP		
Deferred members	**2.75%**	1.85%
Rate of increase in pensions in payment:		
CPI, max 3%	**2.18%**	1.74%
RPI, max 5%	**2.99%**	2.73%
RPI, max 2.5%	**2.07%**	2.06%
Mortality assumptions:		
Life expectancy of male aged 65 now	**23.4**	21.0
Life expectancy of female aged 65 now	**24.9**	23.3
Life expectancy of male aged 65 in 20 years	**21.0**	22.4
Life expectancy of female aged 65 in 20 years	**22.4**	24.8

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

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

	2021 Market value	2020 Market value
Equities	**9,937**	8,343
Property	**1,755**	1,628
Index-linked gilts	**2,496**	2,639
Corporate bonds	**2,156**	2,011
Diversified growth funds	**7,639**	6,728
LDI funds	**1,770**	2,278
Other	**382**	460
Fair value of plan assets	**26,135**	24,087

The actual return on plan assets was an increase of £2,624,000 (2020: increase £472,000).

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

	2021 £'000	2020 £'000
Present value of funded obligations	**(36,553)**	(37,324)
Fair value of plan assets	**26,135**	24,087
(Deficit)	**(10,418)**	(13,237)
Net liability recognised in the Statement of Financial Position	**(10,418)**	(13,237)

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

	2021 £'000	2020 £'000
Benefit obligation at beginning of year	**(37,324)**	(33,562)
Movement in the year:		
Notional finance cost	**(553)**	(769)
Actuarial gains/(losses) – financial	**(219)**	(4,936)
Actuarial gains/(losses) – demographic	**–**	(92)
Actuarial gains/(losses) – experience	**648**	84
Past service cost	**–**	1,103
Net benefits paid out	**895**	848
Benefit obligation at end of year	**(36,553)**	(37,324)

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

	2021 £'000	2020 £'000
Fair value of plan assets at beginning of year	**24,087**	24,145
Movement in the year:		
Notional interest on plan assets	**357**	573
Return on assets, excluding interest income	**2,268**	(101)
Contributions – employer	**318**	318
Benefits paid out	**(895)**	(848)
Fair value of plan assets at end of year	**26,135**	24,087

Notes to the Accounts continued

Note 25 Post-retirement benefits continued

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

	2021 £'000	2020 £'000
Net re-measurement – financial	**(219)**	(4,936)
Net re-measurement – demographic	**–**	(92)
Net re-measurement – experience	**648**	84
Return on assets, excluding interest income	**2,268**	(101)
	2,697	(5,045)
Deferred taxation	**90**	959
Total re-measurement of the net defined benefit liability to be shown in OCI	**2,787**	(4,086)

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

Statement of Financial Position	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Present value of defined benefit obligation	**(36,553)**	(37,324)	(33,562)	(27,502)	(29,438)	(24,694)
Fair value of plan assets	**26,135**	24,087	24,145	23,013	23,306	20,199
At end of year	**(10,418)**	(13,237)	(9,417)	(4,489)	(6,132)	(4,495)

Characteristics of the Plan and the risks associated with the Plan

a) Information about the characteristics of the Plan

i. The Plan provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at retirement and their length of service. As of 31 December 2015, the Plan closed to future accrual.

ii. The Plan is a registered plan under UK legislation and was contracted out of the State Second Pension.

iii. The Plan is subject to the plan funding requirements outlined in UK legislation. The last scheme funding valuation of the Plan was as at 5 April 2020 and revealed a deficit of £15,100,000.

iv. The Plan membership as at 5 April 2020 comprised of 247 deferred pensioner members and 141 pensioner members.

v. The Plan was established from 1 January 1987 under trust and is governed by the Plan's trust deed and rules dated 19 January 2001. The Trustees are responsible for the operation and the governance of the Plan, including making decisions regarding the Plan's funding and investment strategy in conjunction with the Company.

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

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

c) Information about any amendments, curtailments and settlements

On 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 guaranteed minimum pensions (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.

Whilst the Trustees have not yet taken any steps to amend benefits in the Plan to deal with inequalities arising from GMPs, the Company has estimated the potential impact in calculating the defined benefit obligation.

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 2021:

		June 2021 £'000
Discount rate (increase of 0.25% p.a.)	Decrease by	**1,700**
Rate of RPI inflation (increase of 0.25% p.a.)	Increase by	**1,400**
Mortality (1.5% long-term rate, rather than 1.25%)	Increase by	**400**

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 26 Related parties

Compensation of key management personnel (including directors):

	2021 £'000	2020 £'000
Short term employee benefits[1]	**629**	1,542
Post-employment benefits	**29**	9
	658	1,551

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 Notes 3 and 5.

Directors and their interests

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

	30 June 2021 Ordinary Shares	27 June 2020 Ordinary Shares	29 June 2019 Ordinary Shares
B M Hynes	**–**	74,914	74,914
C G How	**196,698**	196,698	201,698
R S McDowell	**899,105**	389,105	389,205
E J Beale	**–**	–	–
T R J Carter	**13,324**	–	–
Q G A Higham	**37,037**	–	–

Mr E J Beale's director's fees have been surrendered to his primary employer, City Group plc. Director's fees of £29,000 were paid or are payable for the year ended June 2021 (2020: £28,000). Mr E J Beale is a director of Western Selection plc, who had a beneficial interest in 7.5% of the Company's issued share capital. On 29 September 2020, Western Selection plc sold 100% of its shareholding in the Company.

Mr C G How's fees have been surrendered to his primary employer, Braebrook Limited. Mr C How is a 50% shareholder and sole director of Braebrook Limited. Director's fees of £35,000 were paid or are payable for the year ended June 2021 (2020: £112,000).

In the year to June 2021, the Company sold products to the value of £nil (2020: £24,000) to Mr. Haircare Limited, a joint venture with Jamie Stevens (Media) Limited. At the 2021 year end, the Company had receivables due from Mr. Haircare Limited of £230,000 (2020: £193,000) being disclosed within "Trade and other receivables" (see Note 16). In the year to June 2021, Mr. Haircare Limited made a profit after tax of £109,000 (2020: £89,000) and this is reported in the Group results.

Notes to the Accounts continued

Note 26 Related parties continued

In the year to June 2021, the Company sold products to the value of £nil (2020: £420,000) and also operated an inter-company current account with Brand Architekts Limited, a wholly owned subsidiary. At the 2021 year end, the Company had payables due to Brand Architekts Limited of £4,380,000 (2020: £4,917,000) being disclosed within "Trade and other payables" (see Note 17). In the year to June 2021, Brand Architekts Limited made a profit after tax of £1,258,000 (2020: £1,409,000 loss after tax) and this is reported in the Group results.

In the year to June 2021, the Group purchased finished products for resale amounting to £nil (2020: £101,000) 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 2021 year end, the Group had payables due to SCCTC amounting to £nil (2020: £nil).

Note 27 Discontinued operations

On 23 August 2019, the Group sold its 100% interest in Curzon Supplies Ltd for consideration of £35,255,000 (completing the disposal of the manufacturing division) which is the only operation presented as discontinued operations in 2020. Curzon Supplies Ltd was incorporated in March 2019. Assets relating to the manufacturing division, along with the related investments in Swallowfield Consumer Products Limited, Swallowfield SARL, Swallowfield s.r.o. and Swallowfield Inc, were transferred to Curzon Supplies Ltd 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

	2021 £'000	2020 £'000
Revenue	–	7,480
Expenses other than finance costs	–	(8,389)
(Finance costs)/investment income	–	(22)
Exceptional costs	–	(1,462)
Profit on disposal of manufacturing business	–	8,922
Tax expense	–	–
Profit for the year	–	6,529

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 division.

No tax charge has been allocated to discontinued operations as the division 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:

	2021 p	2020 p
Basic earnings per share	–	38.1
Diluted earnings per share	–	38.1

Cash flow in respect of discontinued activities

	2021 £'000	2020 £'000
Operating cash flows	–	(5,761)
Investing cash flows	–	32,255
Financing cash flows	–	(3,592)
Total cash flows	–	25,902

Corporate Directory

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

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2021 Annual General Meeting	29 November 2021
Interim results announcement	March 2022
Announcement of 2022 final results	September 2022
2022 Annual General Meeting	November 2022

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