brandarchitekts

# Annual Report 2024





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

- Insight-led, problem-solving profitable solution brands
- Omni-channel routes to market
- Ethical and efficient outsourcing
- Digital 1st Brand invigoration

"Problem-solving solutions for everyday beauty"

# Overview

## Financial Highlights

Revenue

£17.0m

-15% (2023: £20.1m)

Loss before taxation

£1.4m

(2023: £6.8m)

Gross profit margin

41.2%

+150 bps (2023: 39.7%)

Net cash

£7.0m

(2023: £8.2m)

Underlying operating loss[1]

£0.4m

(2023: £1.2m)

1 Underlying operating loss is calculated before exceptional items, share-based payments and amortisation of acquisition-related intangibles (further information on page 20).

## Financial Summary

- Group sales for FY24 were £17.0m (down 15% on 2023: £20.1m) due primarily to the planned brand rationalisation programme and challenging trading conditions in the UK caused by a cost-of-living crisis and an unseasonably wet spring and early summer.
- Gross profit margins increased by 1.5% to 41.2% (2023: 39.7%) due to a slight improvement in the sales mix.
- The Group generated a reduced underlying operating loss of £0.4m, £0.8m lower than the prior year (2023: £1.2m underlying operating loss), primarily as a result of better targeted advertising & promotions, and the benefit of a full year of operational synergies related to the InnovaDerma (IDP) acquisition.
- The decreased loss before taxation of £1.4m (2023: £6.8m) reflects a reduced operating loss of £0.8m, together with a reduction in exceptional items which in the prior year comprised goodwill impairment associated with the InnovaDerma business of £3.5m, legal fees of £0.7m and the remaining IDP restructuring costs £0.4m.
- The Group retains a strong net cash position of £7.0m at the year-end (30 June 2023: £8.2m).

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# Business Overview

## Brand Architekts:

# Who we are

## Invest

### Skin & Tan

Skinny Tan is so much more than a natural-looking tan. It delivers high performance skincare and an elevated tanning experience in one formula! Created by real women for real women, Skinny Tan has overcome the barriers of traditional tanners to deliver outstanding results. As seen on Dragon's Den, with thousands of five-star reviews, awards and a loyal global community of millions, it's become the tan loved for flawless, streak-free, natural looking results. The latest accolade is from Cosmopolitan naming our Self-Tanning Whip 'Best Fake Tan 2023'.

Skinny Tan is a true omnichannel brand, with a broad offline UK presence across both the High Street and Grocery channels, as well as a strong D2C platform and eCom distribution. It has a steadily growing international footprint in the USA, Australia, South Africa and Europe.

### Super Facialist

Created in 2012 by a team of passionate skincare experts who saw a need for professional, facialist quality products that can be used at home. Living its mission to educate on how to look after your skin, whatever your skin type. The range is curated to equip everyone to become their own Super Facialist at home. Every day.

With solutions for the whole family, our tried, tested and loved formulations combine high-performance scientific ingredients, natural extracts and exquisite aromas. Experience premium formulations without the premium price tag for that facialist feeling. Super Facialist has a broad distribution footprint in the UK across the High Street, Grocery, and eCom channels, as well as its D2C site. Although primarily a UK brand, it is sold in a growing number of international markets.

## Nurture

### The Solution

Science meets skincare enthusiasts! Bringing effective solutions to common body concerns. With scientifically proven active ingredients that get right to the solution and help to bring back your body confidence.

Gaining recognition as a range that really delivers, The Solution is expanding into additional problem areas. The first initiative is dealing with challenges that have traditionally been taboo. Supporting women with what can be hugely challenging symptoms of the menopause, the brand is combining efficacious ingredients with comforting and supporting fragrances and textures to create products that make a difference.

The Solution is steadily growing its distribution in the UK, Ireland and other European markets.


### MR. Expert Solutions

MR. was originally created as the ultimate men's haircare system designed to help combat the challenges of thinning hair and provide everyday grooming staples to keep hair strong and healthy. In autumn 2024 MR. will expand into adjacent male grooming problem-solving categories and be rebranded as MR. Expert Solutions.

Given the shopping behaviour of men and their reliance on online expertise, MR. Expert Solutions has pivoted its route to market to focus on Amazon and specialist channels domestically and internationally.

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

Our group mission is to provide problem-solving solutions for everyday beauty. Brand Architekts has separated its brand portfolio into three categories: Invest, Nurture and Harvest.

Each category has a specific investment and resource profile, in line with the business objective of driving profitability. We will be focusing on brands and products that engender high levels of consumer loyalty and reflect the redefined company purpose of focusing on high-performance problem-solving solution-led brands.

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

Our key brands are detailed below:


## Dirty Works

Not taking itself too seriously has turned Dirty Works into a serious business. This fragrance-fest of bathroom escapism includes scrubs ('Foam at Last'), fizz bars ('Cube Tropicana'), bath bombs ('And on That Bombshell') the brand covers all kinds of washing and bathing, skincare, accessories and gifting and is sold in 40 countries.

## Harvest


## Fish Soho

Fish Soho is a professional-grade, high-performance hair care and styling range straight out of Soho, London. Right at the heart of the British style revolution, Fish Soho gives you the freedom to discover your own distinctive/authentic hair style with confidence. It is Boots' number 3 men's styling brand, but is also available in Waitrose, Amazon and other e-tailers.


## Charles + Lee

Charles + Lee aims to keep the rugged a little more refined. It is a high-performance, no-nonsense quality Aussie-made prestige grooming range that is low fuss, multi-functional, and served with a side of Aussie humour. Available throughout Australia, it is consistently ranked within the top 4 Men's skincare and gifting brands in Australia's leading department stores – Myers and David Jones.

## Root Perfect

Root Perfect is the market's most affordable instant root concealer. It has technically advanced, high-quality formulations that ensure a long-lasting flawless finish. The precision application and quick drying mist easily blends to give a natural look, and the five shades use blended pigments to cover a spectrum of five colours. Root Prefect is the number 1 root concealer in the UK value channel.

# Chairman's Statement

"The Group continues to successfully deliver its portfolio rationalisation programme and exit underperforming & unprofitable brands."

Roger McDowell

Non-Executive Chairman
18 October 2024

Whilst this has led to a 15% decline in net sales (£17.0m vs FY23 £20.1m) this process is in line with our strategy to focus on fewer, bigger, solution-led margin-accretive brands. This has allowed us to release working capital tied up in non-strategic brands allowing us to target investment into our Invest brands. This has allowed us to release working capital tied up in non-strategic brands allowing us to target investment into our Invest brands.

A number of our brands saw good growth this year, with Super Facialist net sales up 17%; Root Perfect grew 14%; Fish grew by 24% and The Solution grew by 43%. Despite this, the Company has faced well documented, challenging, wider market conditions, in particular the cost-of-living crisis, severely affected the UK's premium self-tan category and resulted in double digit decline across the premium self-tan category. Skinny Tan was adversely affected in its UK offline and DTC channels, accounting for 42% of the overall net sales decline. Skinny Tan net sales for the year in the UK were down 27%. In H2 the excellent growth we have seen in Dirty Works sales in Watsons across Asia was offset by a softening in sales in TJ Maxx so that Dirty Works sales were down 16%. The exit of underperforming brands & categories (i.e. Happy Naturals; Kind Natured, Christmas Gift exclusives) resulted in a £1.1m revenue decline. However, our strategic intent remains to grow our key Invest and Nurture brands.

I was pleased that the business has continued to focus on reducing underlying operating losses, which reduced from a £1.2m loss last year to a £0.4 loss in the year under review. The significant improvement on the prior year was as a result of improved operational efficiencies, in particular, more effective use of targeted advertising and promotions, as well as a continued focus on cost control with actions taken to reduce staff costs and other overheads.

Central Plc. costs were reduced by 38% and now account for 15% of the overall group manpower and overhead costs. This was in part due to the one-term benefit of releasing historical Executive cash settled LTIPs, but also strong cost management. I was particularly pleased that April 2023's triennial valuation of the closed defined benefit pension plan resulted in a significant reduction in the deficit recovery plan, under which we have a commitment to make payments of £318,000 per annum until 30 June 2033.

The Group closed the year with net cash of £7.0m, which, although a £1.2m decline year on year, reflected the £1.0m outflow for the acquisition of MR. and the resolution of the long-term historical legal claims and associated costs.

We remain focused on realising both the strategic and financial aims of the Group. In line with our Brand Development strategic tenet, immediate priorities are on driving brand awareness on Skinny Tan and Super Facialist, with an expected year-on-year increase in digital awareness and acquisition campaigns – with more investment in TikTok and Influencers. This will address rate-of-sale (ROS) challenges. I am also very excited by the repositioning of Skinny Tan as Skin & Tan, which will filter through from November 2024 through to spring 2025.

Historically we have done a very good job in securing new distribution, but to maintain these listings requires necessary advertising and promotional (A&P) spend to generate the appropriate ROS to maintain these listings. It is therefore vital that we further invest into A&P and work tirelessly on implementing our brand development strategic tenets.

Good progress has been made on new product development, brand launches and relaunches and distribution gains, which are in line with our problem-solving strategy and therefore gives a degree of confidence for the future.

Key highlights include:

– Super Facialist grew by 17%, fuelled by distribution gains, in particular in Holland & Barrett in Q2. The brand's design upgrade started to enter stores during Q4. Super Facialist's New Vegan Collagen line and New Sleep Smart Night Moisturisers launched into Boots in July 24. Significant increase in digital awareness campaigns is planned throughout the new year to support ROS.

– In response to market trends and consumers' switch to more affordable gradual tanners, Skinny Tan's Body Glow launched into Boots, Superdrug, Asda and Tesco. As a result, Body Glow stock keeping unit is now the fastest growing value stock keeping unit (SKU) in the UK tanning category (Circana latest 12 weeks ending 8 July 24). Skinny Tan launched as a Boots exclusive in all its international stores across six Gulf countries in Q3 and launched into Morrisons in July 24. The Skin & Tan relaunch strategy has been well received by existing customers and we have a secured pipeline of exciting Face Glow NPD planned for the next tanning season. Targeted Investment will continue to be made into new aspirational digital assets, and we will be investing into more digital awareness campaigns throughout the year. We are working with our American distributor to accelerate growth in the US, and we are also working with their European arm to launch Skin & Tan across Amazon Europe.

– Dirty Works launched in 750 Watsons stores in nine countries, with very encouraging sell-out results in Thailand, Turkey, Malaysia, the Gulf, Singapore and Hong Kong. The brand refresh with a focus on all year-round gifting, the signature range and new products should lead to further distribution opportunities domestically and internationally.

– The Solution's net sales were up 43%. The Solution Menopause range launched on its own website in June 2024 and rolled out to Amazon in July 24. The range is succinct; meets important consumer needs, and has excellent empirical consumer panelling and encapsulates our company vision. The Solution Haircare range is planned to launch in Q3 FY25.

– Net sales of Root Perfect, a key Harvest brand, continued to outperform last year +14%, driven by strong UK demand for affordable hair colourants and a pan European expansion across Normal stores and an improved pricing strategy in Morrisons. The objective is to replicate this success with other key European retailers.

– We have pivoted MR. Expert Solutions' route to market, so that we are focused on building a male problem-solving brand solution online, rather than offline; this reflects how men prefer to shop. Investment will be made into creating new digital assets and investment into Amazon conversion.


We will continue to deliver revenue synergies through international expansion, retain a laser focus on brand contribution and release working capital tied up in harvest brands. We remain committed to returning the business to profitability at the earliest opportunity.

On behalf of the Board, I would like to thank our employees for their hard work and commitment and shareholders for their continued support.

# CEO's Statement

"We continue to make progress in increasing brand awareness, relevance, brand and product productivity, and social and digital presence."

Quentin Higham

Chief Executive Officer
18 October 2024

We continue to look at ways to address our over-reliance on non-strategic sales channels; whilst reducing our central corporate costs.

The well documented cost-of-living crisis affected certain categories more disproportionally than others. Whilst we benefited from consumers buying into more affordable hair colourants, which saw Root Perfect net sales grow by 14%, conversely, the premium self-tan subcategory showed double digit decline. Given the squeeze on disposable income, consumers switched from instant premium tanners to more affordable gradual tanners. This resulted in Skinny Tan's UK sales declining by 27%, despite the brand extending its global distribution into Latin America and the Middle East. We also launched Skinny Tan Body Glow (gradual tanner) into full UK omnichannel distribution in H2, which resulted in it becoming the fastest growing value SKU in the UK (Circana 12-week July 24).

The ongoing strong performance of the UK Beauty High Street and the general softening of the direct-to-consumer market reinforces the need for a strong omnichannel approach. We continue to work closely with our offline partners, and I was pleased to see some notable distribution gains on our key Invest and Nurture brands, in particular the launch of Super Facialist into Holland & Barrett and Skinny Tan Body Glow distribution gains across the UK. The focus for our DTC channels has been on improving profitability and ROAS (return on advertising spend), whilst investing in brand content and assets so that we can improve the overall immersive DTC brand experience.

Over the next 12 months we have a strong brand development programme in place, with several exciting product launches (Super Facialist and Skinny Tan), brand redesigns (Super Facialist and Dirty Works), brand extensions (The Solution Menopause and Haircare), and the relaunch of Skinny Tan as Skin & Tan in 2025. We are excited by our key customers and consumers response to the Skin & Tan relaunch strategy and are confident that this will enable the brand to increase its relevance and saliency. We are also optimistic that the new face-centric skincare enhanced products will bring new consumers to the brand and to the category.

## Performance review

The 27% softening of Skinny Tan across the UK trade had an adverse effect on all channels, in particular Boots and DTC, with the exception of Amazon where Skinny Tan grew by 19%. However, Skinny Tan was able to grow its international business with new listings in the Middle East and Peru. Rationalisation of the portfolio and the exiting of three underperforming brands also affected the overall UK business. Amazon was the standout channel with sales up 27%. Our business in the USA General Merchandise discount channel declined by 34%, as we took strategic steps to focus on the core port-folio. We were however pleased that the remaining Export business grew 63%. This was driven by strong Dirty Works distribution gains across 750 Watsons stores which helped Dirty Works grow by 71% in this channel. We are over one year into our strategy of rationalising our portfolio and focusing on problem solving, margin accretive brands and this is beginning to show through. Our number one performance priority is to continue to address ROS challenges and invest in topline sales growth for our key Invest and Nurture brands.

Gross Profit margin increased by 1.5ppts to 41%, with Dirty Works +6ppts, MR. Expert Solutions +13ppts and Dr Salts +17ppts. These offset the decline from the Skinny Tan revenue reduction, which affected the overall margin mix of the business. This reflects our drive to improve margins and long-term profitability.

Whilst sales performance was disappointing, the business worked very hard in reducing its losses. The underlying operating loss improved by £0.8m to show a loss for the year of £0.4m. This was driven by £0.4m reduction in central costs, notably the release of executive LTIP accruals and a reduction in executive manpower costs.


We made £0.4m savings in overheads driven by IDP acquisition synergies.

Progress made against the Group's three strategic pillars is outlined below:

**1. Brand Development**
By the end of FY25 the objective is to rationalise the brand portfolio down to eight brands, split into three classifications: Invest, Nurture and Harvest.

Skinny Tan and Super Facialist are classified as Invest Brands. They have an omnichannel route to market including their own DTC site; masstige positioning; a degree of existing scale as demonstrated through net sales and market share, and both have significant growth potential through A&P investment focusing on digital brand awareness and conversion campaigns. In response to market research, we will be relaunching Skinny Tan as Skin & Tan in FY25. This is a major and exciting initiative, which, along with a pipeline of exciting new face tan products, will help deliver sustainable and long-term growth and address the declines of the last two years.

Dirty Works, The Solution and MR. Expert Solutions are classified as Nurture brands. Dirty Works has the potential to broaden its presence through new category extensions, such as All Year-Round Gifting, to new distribution gains through international partners, such as Watsons. The Solution and MR. are both high-performance propositions, with a clear point of difference that answer the specific needs of the consumer. Our initial focus is on developing The Solution brand by launching a highly efficacious and targeted sub brand called The Solution Menopause. This launched on Amazon and its own DTC site in June 24. Our focus this financial year will be on extending the Menopause distribution to other key retailers and then by introducing The Solution Haircare range. Our vision is for The Solution to become a master brand that provides focused personal care solutions.

Although we discontinued three brands last year, we will be exiting a further two (SenSpa and Argan+) in FY25, which will leave a portfolio of three low investment Harvest Brands. These brands, such as Root Perfect, require minimal investment, they compete on price and provide us with a stronger category share of voice and credibility with key customers.

# CEO's Statement continued

Fish, which was upgraded with new packaging in 2024, has the potential to become a Nurture brand, once its brand reach has been increased. Charles + Lee, which is an Australian centric male grooming brand, has a strong gifting proposition and top 4 position in the Australian department store channel.

The following strategic Brand Development tenets have been applied to our Invest and Nurture brands:

### Profitability

With a sharp focus on brand contribution, our A&P spend is focused on our Invest brands. We continually evaluate our packaging footprint in line with our sustainability pledge and where possible remove all secondary packaging to reduce costs. In addition, we implement VRE (value reengineering) initiatives to reduce COG (cost of goods), so as to improve every brand's Gross Profit, whilst retaining high product quality. One such initiative is the VRE of the Root Perfect cans, which resulted in a double-digit Gross Profit improvement at the latter end of last year.

The business continues to review its range offering and where possible we rationalise ranges to remove duplication and improve SKU productivity and profitability. Last year the number of live SKUs was reduced by 19% to 248. Along with prudent stock management, we were able to reduce our net inventory by £1.4m. As part of the Skin & Tan relaunch planned for the next fiscal year, we will be reducing the range by 41% to 24 SKUs.

### NPD/Consumer Insights

Towards the end of FY24 H2, Super Facialist launched a new Vegan Collagen range and a range of new Night Moisturisers.

Vegan Collagen is an innovative, easy-to-navigate line-up of ingredient-led, solution-driven formulas including a cleanser, serum, day cream and night cream. Blending a potent Marine Biopolymer made from sustainably sourced Red Algae and Hyaluronic Acid, with plant-derived Vegan Collagen sourced from the sap of the acacia tree. Collagen is a trending ingredient which responds to the growing demand for age-preventative skincare, presenting an opportunity to provide customers with an affordable trade-down collagen solution that's vegan-friendly. It delivers both immediate and sustained hydration to the skin, targeting signs of ageing to reveal a plumper and smoother complexion. The Vegan Collagen line launched in Boots, Amazon and DTC at the end of the year.

After three years of research and development Super Facialist launched a range of Sleep Smart Night Creams across our bestselling ranges, Rosehip, Retinol and Vitamin C. This 'World first' Resync SleepSmart™ Complex technology is powered by two potent & proven actives. It is a revolutionary concept that helps reset & rejuvenate skin overnight when skin is at its most receptive to repair. The formulation works in synchronisation with the skin's circadian rhythm for a refreshed & healthier looking complexion. The new moisturisers started to filter through into stores across all retailers in Q4.

In response to the cost-of-living crisis the new Skinny Tan Body Glow Gradual Tanner launched across all UK channels and became the fastest growing tanning value SKU in the UK. On the back of extensive consumer research, we will be relaunching Skinny Tan in FY25. We expect the relaunch to facilitate new customer acquisition, expand our press reach and increase the scope for new brand listings domestically and internationally. Relaunching as Skin & Tan is a simple name and logo change, but one that encapsulates our vision, where everybody can radiate confidence and have a healthy glow. Skin & Tan is an inclusive name that clearly demonstrates our expertise and enables easier category, retailer and market expansion. In response to consumer demand, we will be expanding our Face Tan products, which will be launching in time for the new 2025 tanning season. The three new products will all retail at the emotive and competitive £20 price point, and they all include the registered Oxygeskin complex, that allows oxygen to strengthen the skin's barrier functions, whilst improving skin quality. The new sub range includes a Deep Hydration Sleepover Tan Mask, a Hydrating Tanning Mist; and a Hydrating SPF Tanning Serum, which combines superior tanning technology with a multi-molecular hydration complex and a broad SPF protection.

To maintain momentum and consumer engagement, design upgrades for Super Facialist, MR. Expert Solutions and Dirty Works will filter throughout FY25.

### Digital 1st

Last year we restructured the team to better leverage resources and have significantly increased digital activity across all commercial and media channels. Performance marketing has been brought inhouse, thereby enabling us to execute more paid activity across Google, YouTube, TikTok, Meta and Affiliation, which helps drive consumers to D2C, Amazon and offline retailers. We have shifted a higher portion of the media spend and organic activity to TikTok and launched TikTok shops. Given the growing importance of first party data/direct consumer touch, we have increased the focus on building social following and grown the number of engaged customers in our email/SMS databases, whilst also removing unengaged customers. The Skinny Tan database engagement grew from 32% to 81% post the cleansing of the database, which reduced from 340k to 180k. We have started involving brand fans more in content creation and product development. We continue to launch products first on D2C and Amazon, in order to quickly build 5-star reviews before launching in other channels, but also to make sure that our loyal database consumers are rewarded first.

### Advertising & promotions (A&P)

A&P spend is focused on Skinny Tan and Super Facialist, both brands benefit from a retained PR agency; appointed skincare & tanning experts; substantial campaign activity across Google, YouTube, TikTok, Meta and retail specific activation.

Last year we supported Super Facialist with a strong "Vitamin C + Me" campaign and the focus for the next year is to significantly grow brand awareness and foster engagement with both new and existing consumers, through 360 omnichannel campaigns that deliver extensive reach, provide disruptive brand content, whilst being supported with PR and influencer campaigns. Digital activity will be focused on the new Rosehip Double Cleanser launch in Boots in the summer; Vegan Collagen and Sleep Smart activity in the autumn, whilst our main campaign will be focused on supporting the launch of Super Facialist Vitamin C SPF 50 Serum in spring 2025.

Last year Skinny Tan's Wonder Serum awareness and conversion campaign was adversely affected by overall category dynamics, in particular consumer confidence, level of discretionary spend and a change in consumption behaviour. The focus for this fiscal year is on addressing omnichannel brand awareness and we will be putting higher media investment into broader and more effective channel targeting and fully integrated omnichannel activation, in order to reengage existing customers and reach new audiences. We will continue to invest into conversion, which will be optimised around key retailer and promotional moments. Investment will also go into a website relaunch; asset upgrades; organic social activity and a PR campaign to support the relaunch and extended distribution of the Body Glow franchise and the launch of Skin & Tan Face Glow.

**2. Brand Reach**
We believe in an omnichannel distribution approach, to ensure that our customers can buy our brands and products whenever, wherever and on whatever platform they want. It is therefore imperative that we build our brand distribution online and offline, whilst supporting our key Invest brands with their own DTC sites.

### UK & International

Last year we launched Super Facialist into Holland & Barrett and The Solution into Waitrose. Dirty Works rolled out to 750 Watsons stores in nine countries in the Middle East and Asia. Skinny Tan Body Glow launched in Boots, Superdrug, Asda, Tesco and also in Peru and six Gulf countries. The brand launched into 327 Morrisons stores in July 2024 and we are aiming to expand distribution throughout the UK and internationally on the back of the forthcoming relaunch and exciting NPD. We plan to appoint an Australian distributor to manage Skin & Tan DTC and on Amazon Australia, in time for the winter tanning season (like our new American model). This will enable us to close the Skinny Tan Australian entity and further simplify our business. We launched The Solution Menopause on Amazon in July 2024 and expect to secure distribution gains across the three pillars of the brand in the second half of the fiscal year. Participation at Cosmoprof Bologna in March will be key to securing international distribution for The Solution franchise. Our objective with Super Facialist is to consolidate existing UK distribution and focus on improving ROS and productivity. We are attending several ECRM International Trade shows to secure new distribution in H2.

### D2C

Our focus for the Skinny Tan D2C site has been on profitability and to align pricing and promotions across all channels. Strategy for last year and the new fiscal year is to shift spend from D2C conversion to omnichannel awareness and conversion. A more selective conversion advertising approach improved D2C ROAS FY24 6.0 vs FY23 4.4. However, the overall low demand and our omnichannel approach of matching promotions and offers across all channels, resulted in last year's disappointing but expected DTC net sales decline. All tech stack contracts were renegotiated with savings achieved across the brands. In June 2024 we launched The Solution D2C site, which is integral to building awareness and trial of the new Menopause range. Traffic and database growth programmes will build slowly, since brand A&P will be focused on omnichannel brand awareness. Our strategy for Super Facialist DTC is for the site and database to grow organically on the back of increased traffic through the wider omnichannel awareness campaigns, rather than aggressive conversion investment. The site is steadily growing month on month, and we have further improved profitability by moving to a more cost effective 3PL.

**3. Sustainability**
99% of our single products are fully recyclable or reusable. 60% of our plastic packaging includes post-recycled materials, with this figure reaching 90% for all tubes. 100% of our UK-sourced cartons have Forest Stewardship Council (FSC) certification, reflecting our commitment to work in an environmentally responsible manner whenever possible. We have also started using Prevented Ocean Plastic™ (recycled plastic collected from coastal areas at risk of plastic pollution) in some of our key brands such as Super Facialist, Dirty Works and Fish to actively prevent ocean plastic and further support sustainable initiatives.

## Outlook

The management team remains focused on continuing to realise both the strategic and financial aims of the Group. In line with its Brand Development strategic tenet, immediate priorities are launching an extensive new product development pipeline planned for H2 and supported by extensive consumer research, the repositioning of Skinny Tan as Skin & Tan, which will filter through in 2025. We will be supporting this by driving brand awareness on Super Facialist and Skinny Tan, with an expected year-on-year increase in digital awareness and customer acquisition campaigns – with targeted investment in TikTok and Influencer marketing.

We expect to deliver revenue growth through an improvement in consumer awareness, product productivity, NPD pipeline and through international expansion. We will retain a keen focus on brand contribution and will further release working capital tied up in harvest brands or discontinued products. We remain confident that the foundations we are building will enable us to return to profitability and achieve our medium and long-term goals.

## Investment Case Study

# The Solution

### Brand Proposition

The Solution cares for you as much as you do. Nothing is embarrassing to us, and it shouldn't be to you. We believe that your body, your hair and your skin deserve to be cared for. We believe in providing simple yet effective solutions to address the concerns and challenges that you may face.

We believe everybody is beautiful. It isn't about conforming to an idealistic take on beauty. It's a reality that sometimes our bodies can play up as we go through life's changes.

You want to look after your skin, and you want a product you can trust. We provide solutions that are always formulated with ingredients used at proven levels proven to make a difference.

### Our Mission

To provide everybody with efficacious and solution-driven formulations using the power of trusted, proven active ingredients. To fight the taboos and unrealistic expectations. To support with focused personal care solutions, promoting healthier skin across the whole body.

## "I am absolutely loving this!"

### In fact, 87% would recommend to other menopausal women.*


* Independent user trial on the Night Recovery Treatment with 56 menopausal women over 4 weeks.


## Brand Reach

Since launching on Amazon, the brand has proven a strong digital seller garnering thousands of 5-star reviews and loyal customers. It is from this strong base that we have successfully listed the brand domestically and internationally.

With the launch of a brand-new range extension: The Solution Menopause we have invested in and launched our education-focused brand site – thesolutionbeauty.co.uk. This will allow us to build up our community with a first party consumer database and insights.

We are also working on a further category extension into Hair Care.

## Skinnification of Body Care

Skinnification is taking over body care. Driven by a more holistic approach to wellness and self-care, coupled with a growing expectation for harder working, better value products. Consumers are seeking advanced solutions for their entire body, with the demand for science-backed hero ingredients – such as retinol, collagen, antioxidants, vitamin C, hyaluronic acid and peptides being key drivers. The Solution is ideally placed to capitalise on this movement with skincare-led products to meet these evolving needs.

## The Solution Menopause: Effective Solutions for Big Changes

With nearly 1 billion women globally experiencing menopause, we are proud to be championing this traditionally taboo topic and ensure it is recognised for what it is: a natural transition all women will go through. For some the transition will be smooth – for others they face dealing with up to 48 recognised symptoms for up to 15 years.

We want to make women feel confident and unstoppable every day, no matter which menopause symptoms they are experiencing. Whether they are just beginning to navigate this transition or are well into the process, we are here to help and support them through every menopause stage & beyond.

## Created for & Tested by Menopausal Women

Our menopause range is a capsule collection of skin, hair and body care products that can be used through perimenopause, menopause and beyond.

The whole range is developed around what a menopausal woman may need. From brain fog clearing and calming fragrances, to rich yet non-greasy textures formulated with ingredients proven to support menopausal symptoms.

We are proud to be clinically and independently tested by menopausal women. From the rave reviews seen since launch we are loved by them too.

## GenM – a Proud Partnership

We are extremely proud to be part of the GenM collective. GenM's mission is to deliver choice, trust and visibility to menopause. With its powerful collective of British brands and retailers it's accelerating change as never seen before in this space. Ensuring women who for years have felt invisible and unheard are finally given the attention they deserve. With their uniquely created 'MTick' symbol clearly showing consumers which products are 'menopause friendly' in any retail setting we are united in our commitment to transform how women search, source and shop for menopause. All The Solution products are MTick approved and showcase the logo on pack.

**"As Co-founder of GenM I am incredibly proud of our partnership with The Solution. A responsible and purposeful brand committed to making menopause more visible and one of the first brands to deploy the MTick, the world's first menopause-friendly symbol, transforming how women source and shop for their menopause solutions. Delivering choice and trust for women to manage their menopause their way, The Solution's menopause research insight, science-backed product solutions and commitment to serving the underserved audience should be celebrated as game-change for the beauty market – a true example of driving real change to the change."**

**Sam Simister**
Co-founder of GenM

# Investment Case

## Branded Business

Brand Architekts' focus is to build a portfolio of high-performance, solution-led profitable brands with low capital investment requirements and the potential for superior financial returns.

## Distinctive Brand Portfolio

The business has adapted its brand portfolio to focus resources and investment behind its efficacy-based problem-solving solution brands. These brands engender greater consumer loyalty and higher margins. Brand Architekts' portfolio provides branded solutions for skincare, self-tan and male grooming needs.

## Established Relationships with Retailers both Domestically and Internationally

Understanding the needs of retailers and consumers alike, 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. Skinny Tan, Super Facialist and The Solution now have their own DTC platforms. We will review whether MR. Expert Solutions merits its own site in FY26. Investment in specific DTC sites strengthens our consumer reach and brand engagement. In parallel, we will focus on maximising our brands' omnichannel potential in new international markets and building relationships with appropriate distribution and retail partners.

## Substantial Net Cash Position

The Group had a net cash position of £7.0m at the year end (2023: £8.2m).

## Potential for M&A

Whilst in the short term our strategic focus is a return to profitability, the Group remains alert to acquisition opportunities that will be margin accretive (60%+), provide scale and further strengthen our 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 and consumption. We will identify brands with strong product points of difference or unique selling points, ideally with some proprietary technology and preferably £3m+ net sales, which we can acquire through existing cash resources.

## Business Model

# Driven by Profitable Growth

### Resources that define us

#### Brand portfolio

Margin-accretive problem-solving solution brands

Strong revenue-generating portfolio, with a focus on profitability

Multiple opportunities to enhance earnings

See pages 2 to 3

#### Team attributes

Insight Brand development

Agility and speed to respond to market dynamics

Entrepreneurial culture and values

See pages 5, and 7 to 9

#### Key industry relationships

Manufacturers

Retailers

Distributors

Media

See pages 5 and 9

#### Finances

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

Strong cash balance

See pages 25 to 26

### 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.

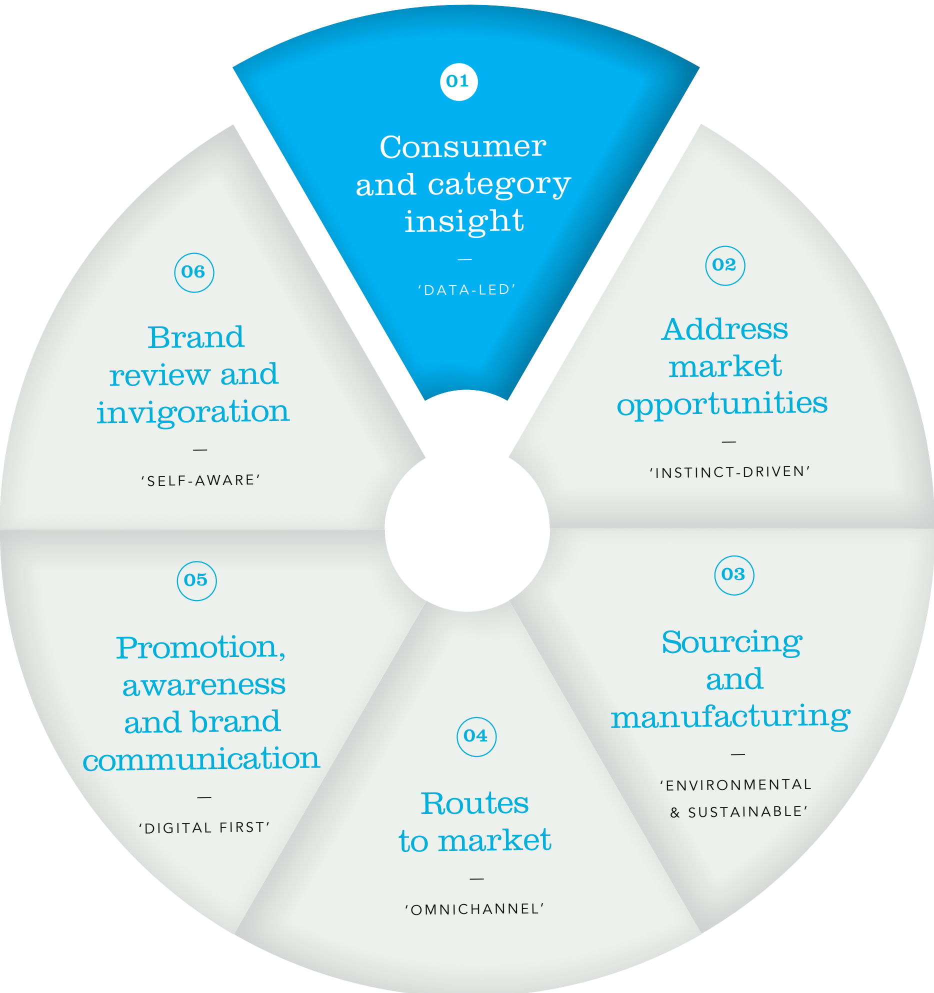
02 Opportunities come in many forms, including market gaps addressable by new product development, and M&A to open new avenues. We are alert to both and have the resources to act.

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 growing our three DTC sites, securing new domestic and international offline listings and expanding our e-tailer presence, in particular through investing into Amazon.

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 focus on 'fewer, bigger, better' 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

**In the ever-evolving beauty industry, trends have continued to shift rapidly as consumers seek new ways to enhance their self-care routines and feel and look healthy. In a cost-of-living crisis society, consumers are more than ever looking for more playful and joyful experiences and have become more demanding on brands to meet their expectations, fast.**

**Consumers are increasingly informed, empowered and demanding, and their preferences change quickly. Brand Architekts will continue to anticipate those trends and listen to its communities to launch products that meet their needs, and boost their confidence and needs.**

**Sensorial Beauty** – There is a growing consumer need for engaging and sensorial beauty products, fuel by this desire for joy and nurture. Our new Skinny Tan Overnight Sleepover Mask, launching soon, epitomises this well with a cashmere-like, velvety texture packed with powerful moisturisers and a cutting age active, derived from the nasturtium flower, proven to provide a true gust of oxygen to skin, helping it to achieve a healthy glow. Satisfying and transformative textures will also continue to feature in Super Facialist and Dirty Works in 2025, from scrub to foam transformation to gel to creamy foamy lather.

**Cosmeceutical Products** – Amid a rise of cosmeceutical prescriptions by dermatologists, driven by increase of the prevalence of skin disorders, the cosmeceutical market (cosmetics formulations containing bioactive ingredients known for their medical benefits) is expected to continue growing at pace. Valued at US$63.59 billion in 2023, it is projected to grown from US$68.67 billion in 2024 to US$138.6 billion by 2032* Our Super Facialist Retinol Serum is a prime example of how we are embracing this trend. After months of development, the line will relaunch featuring our most potent Retinol formula ever with pure Vitamin A combined with 100% plant-based retinol-like Bakuchiol.

**Glow-Up Skin** – The simple desire of a year-round natural, sun-kissed look fuelled the popularity of self-tanning products for many years, but a shift is emerging. The skinnification and personalisation trends since across the wider beauty industry are now shaking up this category too. Consumer expectation has been elevated to seek products that feature skincare-led ingredients and cater for various skin colours and types, whilst addressing specific skin concerns such as dryness or lack of radiance. Our Skin & Tan brand, synonymous with achieving a flawless, streak-free tan, will further innovate in this field and is launching a skin-care-centric face tanning range later in the year including an SPF product.

**Sophistication of Men's Grooming** – Driven by societal change, interest in advanced care and styling, and the rise of gender fluidity, the category is evolving beyond basic grooming products and opening up a broader array of beauty and personal care products. As a result, the Men's grooming market is predicted to continue delivering growth (3% CAGR from 2023 to 2028**) and opportunities. This trend has led to an increase in the offering of targeted products addressing concerns such as oil control and breakout or hair loss. Our MR. Expert Solutions range will launch three exciting products to cater for those needs: Blemish Control Daily Body Gel and Blemish Control Daily Body Wash as well as a Stimulating Scalp Massager, an ergonomic brush specifically designed to address thinning hair and encourage hair growth.

**Hair Skinnification** – Recent years have seen a significant shift in the Haircare category with a clear message that scalp health is hair health. This presents a significant opportunity for our targeted, results-driven brand The Solution. Three capsule collections featuring skincare-led proven ingredients – such as Hyaluronic Acid, Glycolic Acid or Vegan Collagen – are in development around the most popular hair concerns thinning, breakage and lack of volume.

**Counteracting biodiversity loss** – Extended producer responsibility (EPR) legislation, implemented in the EU since 1996, has pushed businesses to take greater responsibility for their packaging. At Brand Architekts, we have always been mindful of making our products as environmentally friendly as possible, and we are on a continuous mission to encourage greater levels of recycling through our packaging choices and communication on packs and social media. As part of this, we are very careful in our ingredient choices and suppliers.

## New Product Opportunities

With our diverse portfolio of products and an agile business model, we are well-positioned to meet market innovations and continue disrupting and exciting consumers and retailer partners.

**Haptic Packaging** – Pebble-shaped, elegant and multi-sensory packaging with smooth, tactile finishes are popping everywhere in 2024. This style of packaging addresses consumers' desire for functionality and pleasure and offers an attractive visual differentiation for beauty brands in a competitive market. Dirty Works and the soon to be relaunched Kind Natured will support the vogue for visually and haptically pleasing rounded packs to create micro-moments of joy in consumers' beauty routine.

**Dopamine Rush** – Engaging and entertaining consumers, especially the younger audiences, with bold, disruptive design and energising colours will continue to inspire new launches. Our Dirty Works Mood Magic collection launching later this year will meet this trend with four colourful, playful formulations and a striking, vibrant design execution.

**Influence of Regenerative Medicine** – Research on exosomes***, small vesicles that can be used to help improve the skin's appearance and health, is still at a very early stage, but full of promises for the aesthetic beauty industry and creating a buzz in the skincare world. Their recognition by regulatory organisations may mean a major change in how we approach skin ageing. As a challenger brand, Super Facialist will closely monitor advances in this field.

**Neuroglow Beauty** – A new paradigm where beauty and brain wellness converge, and products embrace the mind-body connection with a more personalised approached and the emergence of psycho-dermatology -inspired ingredients. Those are pioneering ingredients incorporating neurotransmitters to promote a sense of well-being, alongside traditional beautifying benefits. Super Facialist and Skinny Than are well positioned to tap into this trend and research is under way to remain at the forefront of the beauty industry.

* Fortune business Insights – exhibiting a CAGR of 9.1% during the forecast period 2024-2032. 29 July 24.

** Euromonitor International 07/01/24. Top trends shaping the Future of Men's Skincare in 2024.

*** Exosomes are tiny pieces of material extracted from a cell. Exosomes are extracellular vesicles generated by all cells and they carry nucleic acids, proteins, lipids, and metabolites. They are mediators of near and long-distance intercellular communication in health and disease and affect various aspects of cell biology. National Library of Medicine.

## Sustainability

# Committing to Sustainability

- **99% of our single products are fully recyclable or reusable.**
- **60% of our plastic packaging includes post-consumer recycled (PCR) materials, with this figure reaching 90% for all tubes.**
- **100% of our UK-sourced cartons have Forest Stewardship Council (FSC) certification.**

When possible, we strive to improve recyclability and the amount of material we use. The new Super Facialist night cream caps are now using mono instead of mixed material and use 14% less plastic. We have also started using Prevented Ocean Plastic™ (recycled plastic collected from coastal areas at risk of plastic pollution) in some of our key brands such as Super Facialist, Dirty Works and Fish to actively prevent ocean plastic and further support sustainable initiatives.

100% of our UK-sourced cartons have Forest Stewardship Council (FSC) certification, reflecting our commitment to working in an environmentally responsible manner whenever possible.

**"Fun fact! Moving the retinol jar from plastic to glass saved 800kg in 12 months which is equivalent to the weight of a giraffe."**

| | PCR | FSC* | Recyclable |
|---|---|---|---|
| Fish | 100% | 100% | 100% |
| The Solution | 100% | 100% | 100% |
| MR. | 100% | 100% | 100% |
| Super Facialist | 72% | 96% | 91% |
| Dirty Works | 57% | n/a | 73% |
| Skinny Tan** | 43% | 20% | 100% |

* For boxed products.
** Accessories and aerosols removed.


## Our Actions:

**Ethical sourcing**
We seek evidence and aim to work with trusted companies that have strong credentials and accreditations when it comes to sustainability and ethical ways of working. We rely on a tight network of manufacturers and packaging suppliers, so that we can foster a strong partnership, so that together we minimise the environmental impact of our brands.

**Plastic reduction**
We continuously challenge ourselves to re-think our packaging formats and materials, working closely with third parties to reduce packaging waste and bring innovation.

**Transparency**
We proactively encourage customers to recycle and have been using various call-to-action taglines on our products. Help Save our planet features on all Super Facialist products and is being rolled on the refresh projects for all other brands, including Dirty Works, Fish and MR.. Packaging also feature clear information on the material used, the composition of the material – if space allows – and relevant associated symbols such as the respected Forest Stewardship Council (FSC) logo. As part of our compliance due diligence, we ensure that we gather supportive data on all ingredients (whether it's raw materials or fragrances), and we work closely with our manufacturers' supply chains to ensure transparency.

**Collaboration**
We pride ourselves in collaborating with a wide and diverse network of suppliers and always look to improve and strengthen our sourcing practices.

**Greenwashing**
We aim to foster a culture of authenticity, honesty and transparency with all pack copy creatives. We encourage an educational tone of voice and advocate only making claims that can be substantiated either by at-home studies, clinical research, or instrumental testing. We adhere to the Financial Conduct Authority (FCA) guidance on the anti-greenwashing rule.

# 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 has developed processes to assess risks and continues 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 FY24 | Key mitigating activities |
| --- | --- | --- | --- |
| **Talent retention** | | | |
| | Loss of key personnel, employee churn and failure to attract high quality people could impact the Group's ability to achieve its ambitions. | ^ | The Remuneration Committee reviews key personnel rewards annually to ensure they are competitive, commensurate with performance and reflect the increased cost of living due to inflation. The Group operates Personal Development Plans and Performance Development Reviews. Training programmes were introduced to ensure both business and personal needs are met. The business also operates a hybrid way of working and office culture, to support employees with greater flexibility.<br><br>Further information on this can be found in the Employee section in Our Stakeholder Engagement and S172 statement on page 22. |
| **Consumer and customer trends** | | | |
| | Particularly in the current economic environment, consumer preferences and buying habits could change, meaning our products may not meet consumer needs and our customer acquisition strategies may need to evolve. | ^ | Regular reviews of EPOS and market dashboards and maintaining close contact with customers give insight into consumer buying strategies both in the High Street and online. These insights provide important data for the new product development process and into wider market trends, including sustainability.<br><br>Further information can be found in the Sustainability report on pages 18 to 19. |

| Risk | Potential impact | Change in FY24 | Key mitigating activities |
|---|---|---|---|
| **Product quality, regulations and compliance** | Inconsistent quality or non-compliance with regulations would have a severe impact on service levels, customer relationships and have financial repercussions. | > | The Group has a well-defined new product development process that incorporates product quality and compliance verification. We only partner with long-term, established suppliers with excellent product quality controls and who adhere to compliance standards. We also employ compliance consultants for product labelling verification and registration. |
| **Cost inflation** | Disruption to the supply chain could limit availability of products and thereby reduce sales and business performance. Product cost inflation from adverse economic factors could affect consumer demand and Group profitability. | > | The Group maintains a detailed forecast and demand planning process to maximise product availability whilst 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. Where possible, the sales team negotiates higher rates with retail customers to offset increased costs. |
| **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 assessed its control environment compared to the framework set out by Centre for Internet Security (CIS). There is an improvement plan, updated annually, which incorporates investment in software, policies, procedures, and training. Our supplier review includes a cyber security review to ensure the supply chain is robust. 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. | v | A fund deficit recovery plan for the period to November 2037 is discussed and agreed every three years. The latest triennial review based on the position on 5 April 2023 was received in late autumn 2023 and resulted in a significant reduction in the annual payment amount and the period over which payments are made to reduce the deficit.<br><br>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.<br><br>Further information on the pension scheme recovery plan can be found in the Financial Review on page 25. |

# Stakeholder Engagement and Section 172

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

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

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

## Methods used by the Board

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

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

## Stakeholder engagement

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

**Why we engage**

### Customers and consumers

Brand Architekts' success has been built on numerous long-standing customer relationships. As the business develops its omni-channel strategy, it is important to maintain these relationships, to develop others and to listen to our consumers to ensure our brands and products meet their needs.

### Employees

Brand Architekts began as a small owner-managed brands business which valued close collaboration, respect and entrepreneurial spirit among all employees. It is important to foster this culture as the business grows and incorporates effective governance structures and training programmes appropriate for a much bigger company.

### Suppliers

One of the Group's key strengths is a strong, well established supplier base both in the UK and the Far East. Close collaboration enables consistent on-time delivery of quality products to our customers and consumers. And smooth product development programmes.

### Shareholders

Engagement with shareholders is a core responsibility for the Board.

### Communities

The Group recognises the importance of social responsibility, and is mindful of the potential impact that our products could have on the environment. 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 day-to-day communication, periodic business reviews and annual joint business plans.<br><br>We engage with consumers through marketing activity via DTC websites and social media platforms.<br><br>Our customer services team responds directly to consumer feedback. | – Customer category performance vs competitors.<br>– Brand Architekts' category performance vs competitors.<br>– Consumer trends, needs and habits.<br>– Consumer journey and experience on our DTC platforms.<br>– Environmental and sustainability credentials of our products. |
| We communicate with employees through monthly 'town hall' meetings, Company events and newsletters. We monitor employee engagement and sentiment through performance development reviews, personal development plans and employee surveys.<br><br>This regular interaction with the team informs the nature and content of training sessions to give our workforce appropriate new skills. | – Group Strategy deployment including team objectives and KPIs.<br>– Operational efficiency ideas to facilitate strategic initiatives.<br>– Company culture.<br>– Training and development opportunities.<br>– Compensation and incentives. |
| We nourish relationships through regular conversations and occasional site visits.<br><br>We use regular business reviews to continue to improve processes and to challenge and develop our brand content and packaging.<br><br>In some cases, we share development programmes and IT applications. | – Overall market and category performance.<br>– Consumer needs and habits versus our NPD.<br>– Environmental and sustainability credentials of the manufacturing process and our products.<br>– Outlook, demand planning and supply chain.<br>– Product quality and compliance. |
| The CEO and CFO deliver the Group's interim and final results in person, through presentations, Q&A sessions and roadshows.<br><br>All shareholders are invited to an Annual General Meeting in November to provide an opportunity to meet the directors and discuss the year's results. This is also possible via ad hoc meetings.<br><br>The Chairman is in regular contact with major shareholders. | – Strategy and business model updates.<br>– Financial and operational performance and outlook.<br>– Environmental, Social and Governance.<br>– Long-term, sustainable growth.<br>– Capital allocation, including capex, working capital and M&A. |
| BA is committed to working with customers and suppliers to minimise any negative environment impacts from products and supply chain.<br><br>The expectations of our consumers and communities have informed our Sustainability Pledge (see page 18).<br><br>We work with suppliers who share our principles, those who focus on production and design processes and policies that comply with and, wherever possible, anticipate changing legislative and customer demands. | – Compliance with regulations.<br>– Social responsibility and ethical practice.<br>– Environmental impacts recyclability and PCR % of our products. |

# Stakeholder Engagement and Section 172 continued

## Key Business Decisions

| Nature of decision | Engagement with stakeholders | Impact on outcome |
|---|---|---|
| **Brand performance** | The Board agreed to an in-depth review with the brand and sales team on performance of key brands to take place over a series of three board meetings with follow-up and feedback. The conversations were the catalyst for fresh consumer research. | The most significant outcome was to support management strategy and specifically to endorse the change of name from Skinny Tan to Skin & Tan, resulting in new packaging and marketing materials. |
| **Discretionary bonus** | The Board considered the award of management and team bonuses. The debate took account of a reduced operating loss, some very strong individual performances and the desire to continue to motivate the team. | It was agreed that in order to demonstrate sound fiscal management no bonuses would be awarded this year. Key staff were identified and incentivised by participation in the share option scheme. |

# Financial Review

# Improved Margins and Underlying Operating Loss

## 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:

| | 2024 | 2023 |
|---|---|---|
| **Reported results from continuing operations** | | |
| Revenue (Note 2 of the financial statements) | **£17.0m** | £20.1m |
| Underlying operating loss[1] | **£(0.4)m** | £(1.2)m |
| Loss before taxation | **£(1.4)m** | £(6.8)m |
| Basic loss per share | **(5.2)p** | (23.5)p |
| Net cash | **£7.0m** | £8.2m |

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

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

| | 2024 Total | 2023 Total |
|---|---|---|
| Underlying loss from operations | **(412)** | (1,206) |
| Amortisation of acquisition-related intangibles | **(975)** | (1,027) |
| Charge/credit for share-based payments | **(26)** | 12 |
| Exceptional items – Impairment of intangible assets | **–** | (3,500) |
| Other exceptional items | **(133)** | (1,078) |
| Operating loss | **(1,546)** | (6,799) |

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 below and 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.

# Financial Review continued

## Statement of comprehensive income

Group statutory revenue for the year was £17.0m (FY 2023: £20.1m), a decrease of 15% on the prior year due to a mix of factors. Sales reduced due to the planned brand rationalisation programme, fewer Christmas gift exclusives and challenging trading conditions in the UK caused by a cost-of-living crisis and an unseasonably wet spring and early summer. International sales were down £0.5m on the previous year.

The gross profit margin was better than the prior year, increasing by 1.5 ppts to 41.2% (2023: 39.7%). This is due to improved sales mix. Margins from the sale of Brand Architekts' brand products have been maintained despite continued and significant cost increases throughout the supply chain, notably in raw materials, componentry and energy. Cost increases were passed on to retailers where possible and given previously agreed pricing commitments.

Despite the challenging trading environment, the Group generated a reduced operating loss in H2, a significant improvement on the performance in H1, due to a focus on better targeted advertising & promotions resulting in improved contribution.

The Group made a loss before tax of £1.4m after amortisation of intangibles of £1m, and exceptional items of £0.13m which included restructuring costs (£0.09m), and costs associated with the resolution of the legal claim with MR. haircare (£0.03m).

Financing costs were £0.1m (2023: £0.1m) relating to the defined benefit pension plan notional finance charge.

The effective tax rate for the period was negative 4% (2023: negative 3%) of pre-tax losses. The effective rate is below the statutory rate of 25.0% due to the losses in the period.

## Financial position and cash flow

The Group retains a net cash position of £7.0m, a reduction of £1.2m versus the prior year (2023: £8.2m). The cash outflow was due to a mix of the underlying operating loss of £0.4m and the acquisition of the remaining 49% issued share capital of MR. Haircare Ltd for £0.5m. The Company also made a payment of £0.3m, its annual payment commitment to its defined benefit pension scheme as outlined below.

## Defined benefit pension plan

The defined benefit pension plan underwent its latest triennial valuation on 5 April 2023. The scheme funding at this date revealed a deficit of £4.6m. As a result, the Group entered a revised deficit recovery plan and schedule of contributions under which there is a commitment to pay £318k per annum for the 10 years to 30 June 2033 and to pay certain administration costs and the PPF levy for the life of the plan.

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. In 2023 market conditions were volatile, there has been some stability in 2024. At the reporting date, the yields on bonds of all types were marginally more favourable than the prior year and has resulted in a slightly more favourable discount rate being adopted for accounting purposes. The fair value of the plan assets as measured under IAS 19 has increased year-on-year at the same time that the fair value of the scheme's liabilities has decreased, the net result is a decreased liability under the IAS 19 methodology. For accounting purposes at 30 June 2024, the Group showed an unrecognised surplus of £0.8m under IAS 19 (2023: net liability £1.6m), see note 21.

## 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 £7.0m. Accordingly, we continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Geoffrey Ellis

Chief Financial Officer and Company Secretary
18 October 2024

# Board of Directors

**Roger McDowell**
Non-Executive Chairman

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

**Chris How**
Independent Non-Executive Director

Chris was formerly the CEO of Swallowfield PLC (the previous name of the Group) and recently held the position of interim CEO of Brand Architekts. Chris brings continuity, detailed knowledge of the business and extensive, relevant sector experience, having previously held senior UK and international leadership positions at PZ Cussons and Colgate Palmolive. Chris chairs the Remuneration Committee.

**Amy Nelson-Bennett**
Independent Non-Executive Director

Amy joined as an independent Non-Executive Director on 14 March 2022. Amy is an experienced senior executive with over 20 years worth of expertise in driving strategic growth for global brands in the retail, beauty and publishing sectors. She has worked with a variety of companies, from start-ups to world-renowned privately owned businesses, delivering growth and improving profitability. Amy has a track record of modernising brands via digital commerce and marketing in order to drive competitive advantage. Amy is currently Co-CEO of Positive Luxury, the only sustainability assessment tailor-made for the luxury industry. Prior to this, Amy spent five years as Group CEO at Clive Christian Group and four years as President & CEO at Molton Brown (Kao group). Amy chairs the Audit 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.

**Geoff Ellis**
Chief Financial Officer

Geoff joined as CFO on 5 June 2023. He has had a distinguished career as an experienced Chief Financial Officer & Chief Operational Officer, with consistent achievement in international business development, combined with expertise in post-merger integration and restructuring. Geoff is a chartered accountant and previously was CFO at Proteome PLC. Between 1995 and 2009 Geoff held a variety of senior executive roles at Walt Disney Incorporated.

# Corporate Governance Report

## Annual General Meeting

**The AGM will be held at the Group's office, 8 Waldegrave Road, Teddington TW11 8GT on Tuesday 3 December 2024 at 11am.**

The Board, recognising the importance of sound corporate governance, has decided to adopt the QCA's Corporate Governance Code (published in April 2018) (the QCA Code) as the basis for the Group's corporate governance. In applying the QCA Code, the Group 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.<br><br>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.<br><br>Decisions of the Board are made in line with the strategic plan and business model for the Group.<br><br>**Status: Compliant** | CEO's Statement page 6<br><br>Business model page 14 |
| **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 Group 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.<br><br>The Group 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 Group's website and hard copies of the Annual Report are distributed to those shareholders who have requested to continue to receive them.<br><br>**Status: Compliant** | Stakeholder Engagement and S172 section page 22<br><br>Reports and Presentations section, Group website (www.brandarchitektsplc.com)<br><br>Corporate Governance section, Group website (www.brandarchitektsplc.com)<br><br>Shareholder and Company news section, Group website (www.brandarchitektsplc.com) |
| **3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.** | |
| The Group's stakeholders include shareholders, members of staff, customers, suppliers, regulators, partners, industry bodies and creditors. The principal ways in which their feedback on the Group is gathered is via the meetings, conversations and feedback processes. This, as well as the actions generated from this feedback, is detailed in our Stakeholders section on page 22.<br><br>**Status: Compliant** | Further information can be found in our Stakeholders and S172 section on page 22<br><br>Corporate Governance section, Group website (www.brandarchitektsplc.com) |

| **Governance principle/Explanation** | **Further reading** |
|---|---|

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

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

The Board regularly considers potential risks to its strategy and the Group's business during formal Board meetings, including agenda items focusing on KPIs, lessons learned from recent initiatives, post investment reviews. The Board concludes its annual risk 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 Group has maintained insurance cover for its directors and officers under a directors' and officers' liability insurance policy. The Group has not provided any qualifying third-party indemnity cover for the directors although under the Group's Articles of Association, the Group may indemnify any director or other officer against any such liability.

**Status: Compliant**

Principal Risks and Uncertainties page 20

Corporate Governance section, Group 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 whilst the Executive Directors have executive responsibility for running the Group's business and implementing Group strategy.

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

The Board as a whole manages the business of the Group 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, whilst this is supplemented by ad hoc interim meetings focusing on items requiring discussion, review and approval as required. All meetings were 100% attended during the year.

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

The Board has a formal schedule of matters reserved to it (available on the Group'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 27

# 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 Group'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 Group's strategic objectives.

Board of Directors page 27

There are two non-executive directors of the Group, who are expected to challenge and contribute to the development of strategy and the achievement of the Group's objectives. They all play their part by being experienced and commercial people who bring a wide range of skills and capabilities to the Board.

**Status: Compliant**

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

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

In the year to 30 June 2024 the Board, in common with many businesses of similar size, adopted as standard practice a Board review using a detailed Board performance questionnaire.

**Status: Compliant**

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

Brand Architekts is committed to high standards of ethical behaviour This culture is monitored in both its Board, Executive and senior manager meetings and is formalised in the Group's ethical policy, Sustainability blueprint and Company handbook.

Responsibilities section, Group 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 18.

For employees, the Group implemented a Group Handbook during the year, setting out 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 group-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 Group has in place procedures to deal with any situation where a conflict may be perceived.

**Status: Compliant**

| Governance principle/Explanation | Further reading |
| --- | --- |

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

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

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

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

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

## 10. Communicate how the group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Group encourages two-way communication with both its institutional and private investors and responds quickly to all queries received. The Chairman talks regularly with the Group's major shareholders and ensures that their views are communicated fully to the Board.

In addition, the Group 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 Group's website.

**Status: Compliant**

Reports and Presentations section, Group website (www.brandarchitektsplc.com)

Shareholder and Group news section, Group website (www.brandarchitektsplc.com)

# Directors' Report

The directors' present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the period ended 30 June 2024. The Corporate Governance Report set out on pages 28 to 31 forms part of this report.

## Directors

The Company's current directors are listed on page 27, together with their biographical details.

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

| |
|---|
| R S McDowell |
| C G How |
| A Nelson-Bennett |
| Q G A Higham |
| G J Ellis |

## Dividends

As with recent years, the Board is not recommending a dividend for FY24. The Board will continue to review the dividend policy, considering the underlying earnings and cash flow of the business as well as the distributable reserves position.

## Strategic Report

The Strategic Report set out on page 2 provides a fair review of the Group's business for the year ended June 2024. It also explains the objectives and strategy of the Group, its competition and the markets in which it operates, the principal risks and uncertainties it faces, employee information, the Group's financial position, key performance indicators and likely future developments of the business.

## Employee engagement

For employee engagement please refer to our Stakeholder Engagement and Section 172 statement on pages 22 to 24.

## Key stakeholders

For our key stakeholders please refer to our Stakeholder Engagement and Section 172 statement on pages 22 to 24.

## Financial risk management

For Financial risk management policies please refer to Note 17 Financial Instruments on page 59.

## Carbon energy reporting

As the Company consumed 40,000kWh of energy or less in the United Kingdom during the period in respect of which the Directors' Report is prepared no further disclosures are being made with respect to carbon energy usage. Further information with regards to the initiatives taken with regard to our products and their environmental impact can be in found in our Sustainability blueprint on page 18.

## Substantial shareholdings

As at 10 October 2024, 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 |
|---|---|---|
| Peter Gyllenhammar AB | 6,850,257 | 24.5 |
| Soros Fund Mgt | 2,051,427 | 7.3 |
| Hargreaves Lansdown Asset Mgt | 2,046,999 | 7.3 |
| Roger McDowell | 1,676,490 | 6.0 |
| Mr Mark Ward | 1,762,883 | 6.3 |
| FIL Investment International | 1,485,053 | 5.3 |
| Interactive Investor | 1,387,411 | 5.0 |
| R & A Persey | 1,284,409 | 4.6 |
| Edale Capital | 953,004 | 3.4 |

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 22 of the financial statements.

## Notice of Meeting

This year's Annual General Meeting will be held on Tuesday 3 December 2024. 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 UK adopted International Accounting Standards (UK Adopted IAS). Under company law, the directors must not approve the financial statement unless they are satisfied that they 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 UK adopted IAS 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 27, 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
18 October 2024
Registered number: 01975376

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

## Opinion

We have audited the financial statements of Brand Architekts Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the period ended 30 June 2024, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements and the Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards (UK adopted IAS).

In our opinion:

– the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2024 and of the Group's loss for the period then ended;
– the Group and Company financial statements have been properly prepared in accordance with UK adopted IAS; and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## An overview of the scope of our audit

We planned and performed our audit by obtaining an understanding of the Group and its environment, including the accounting processes and controls, and the industry in which it operates. The Group comprised the following active companies during the full year:

– 1 UK holding Parent Company;
– 5 UK trading subsidiary companies
– 4 overseas trading subsidiary companies.

Two of the UK trading companies were subject to full scope audits performed by the group audit team. Three of the UK trading subsidiaries have taken the parental guarantee which exempts them from a full scope audit. One of these was subject to risk-specific procedures and the others were subject to analytical review procedures by the group audit team. Two of the overseas trading subsidiary companies were subject to risk-specific procedures by the group audit team. The remaining subsidiaries were subject to analytical review procedures performed by the group audit team.

Those components subject to audit and specific audit procedures cover 96% (2023: 96%) of the Group's revenue and 100% (2023: 100%) of the Group's consolidated loss after tax for the year. Our audit work at the component level is executed at levels of materiality appropriate for such components. Audit work for entities requiring risk-specific procedures has been carried out using Group materiality.

## 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, brands and investment impairment | Work done |
|---|---|
| In the accounting policies, the directors identify the impairment reviews of assets held by the Group and Company which are considered to have indefinite useful lives, being goodwill and brands (Group) and investments (Company), as one of the main areas of estimation. At 30 June 2024, the carrying value of assets subject to annual impairment reviews on the Group balance sheet was £10.7m (2023: £10.7m).<br><br>The carrying value of the investments on the Company balance sheet is £14.6m (2023: £17.7m)<br><br>We identified that the audit risk relates to ensuring that management's impairment review is robust and reliable in identifying potential impairment, that the assumptions made are reasonable and the appropriateness of related disclosures.<br><br>As per IAS36, management impairment reviews compared the carrying value of assets considered to have indefinite useful lives against their recoverable amount. Recoverable amount is the higher of value in use and fair value less cost to sell. Management concluded that fair value less cost to sell represented recoverable amount for the Brand Architekts Limited and Innovaderma Group related assets with indefinite useful lives. Management calculated this value based on a multiple of revenue which they determined to be an appropriate way to determine fair value based on recent transactions in the Group and transactions in the market place.<br><br>Management has concluded that no impairment is required in respect of the assets held by the Group with indefinite useful lives.<br><br>Management has recorded an impairment of £3.7m in respect of investments held in the Company balance sheet. This had no impact on the reported performance or position of the Group. | Our audit work included:<br><br>– Assessing and challenging the key assumptions, inputs and calculations applied by management in their impairment reviews.<br>– Where management considered the fair value less costs to sell represented recoverable amount, we challenged and corroborated the key estimates in assessing this value. We compared the multiple of revenue estimate used by management in their valuation techniques to recent acquisitions in the consumer goods market over the last 2-3 years and performed our own sensitivity analysis to consider the level of headroom on the relevant intangibles.<br>– Performing our own sensitivity analysis to assess the level of headroom on the impairment reviews.<br>– Assessing and challenging management's sensitivity analysis on key assumptions and calculations, by performing our own sensitivity analysis on short-term growth forecasts and reviewing the accuracy of past forecasts.<br>– Reviewing carrying values of investments held in the company and recalculating the impairment processed in the year.<br>– Reviewing the associated disclosures of the impairment review to ensure compliance with IAS36. |

As a result of the procedures performed, we are satisfied the impairment models, the resulting conclusions drawn by management and related disclosures are appropriate.

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

## 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: | £170,000 (2023: £201,000) |
| Overall Company materiality: | £170,000 (2023: £201,000) |
| Performance materiality: | 75% of financial statement materiality |
| Basis for determination for the Group: | 1% of revenue (2023: 1% of revenue) |
| Basis for determination for the Company: | 1% of the gross assets (2023: 1% of gross assets) (see comments below) |
| Range of materiality of the two other components subject to full scope audits: | £32,000 - £141,000 (2023: £45,000 - £139,000) |
| Misstatements above which were reported to the Audit Committee: | £9,000 (2023: £10,050) |

Rationale for the benchmark applied for the Group:

We consider revenue the most appropriate measure for materiality on the Group accounts given the volatility of underlying results.

Rationale for the benchmark applied for the Company: The Company is currently responsible for the central costs of the Group and holds the investments in the trading subsidiaries. As such revenue is not considered a relevant benchmark for setting materiality for the individual Company. We have instead considered the gross asset value of Company to be the most appropriate benchmark to set materiality (1% of gross assets). This is a generally accepted auditing benchmark for holding companies. However, we have restricted materiality in order that Company materiality was not greater than that of the Group.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the Group's budgets for the next 12 months;
- Considering the levels of cash held by the Group;
- Comparing the cash reserves held to the historical run rate on cash;
- Assessing the level of fixed overheads in forecasts compared to the cash balances held by the Group; and
- Reviewing going concern related disclosures in the financial statements to ensure they are appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

## Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their 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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent 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 32 to 33, 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 Group and Parent 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.

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, including 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, intangible asset and investment impairment and inventory provisions.

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

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

– Intangible asset and investment impairment was assessed as a Key Audit Matter and our work in respect of this is detailed above.
– We reviewed the inventory provision, comparing the methodology used this year to the prior year for consistency. We considered the outcome of the prior year provision to determine if the provision is prepared on an appropriate basis.
– 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.
– 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 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.

Tom Beable FCA (Senior Statutory Auditor)

PKF Francis Clark
Statutory Auditor

Centenary House
Peninsula Park
Rydon Lane
Exeter
EX2 7XE

18 October 2024

# Group Statement of Comprehensive Income

**For the year ended 30 June 2024 and the year ended 30 June 2023**

| | Notes | 2024 £'000 | 2023 £'000 |
|---|---|---|---|
| **Revenue** | 2 | **17,027** | 20,085 |
| Cost of sales | | **(10,008)** | (12,101) |
| **Gross profit** | | **7,019** | 7,984 |
| Commercial and administrative costs | | **(8,431)** | (10,202) |
| **Operating loss before exceptional items** | | **(1,412)** | (2,218) |
| Exceptional items – Impairment of intangible assets | 3 | **–** | (3,500) |
| Other exceptional items | 3 | **(133)** | (1,078) |
| **Operating loss** | | **(1,545)** | (6,796) |
| Finance income | 7 | **173** | 111 |
| Finance expense | 8 | **(74)** | (88) |
| **Loss before taxation** | 4 | **(1,446)** | (6,773) |
| Taxation | 9 | **56** | 188 |
| **Loss for the year** | | **(1,390)** | (6,585) |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Re-measurement of defined benefit liability | | **1,031** | 444 |
| **Other comprehensive income for the year** | | **1,031** | 444 |
| **Total comprehensive income for the year** | | **(359)** | (6,141) |
| **Loss attributable to:** | | | |
| Equity shareholders | | **(1,456)** | (6,588) |
| Non-controlling interests | | **66** | 3 |
| **Total comprehensive income attributable to:** | | | |
| Equity shareholders | | **(425)** | (6,141) |
| Non-controlling interests | | **66** | 3 |
| **Loss per share** | 10 | | |
| – basic | | **(5.2)p** | (23.5)p |
| – diluted | | **(5.2)p** | (23.5)p |
| **Dividends** | | | |
| Paid in year (£'000) | | **Nil** | Nil |
| Paid in year (pence per share) | | **Nil** | Nil |
| Proposed (£'000) | | **Nil** | Nil |
| Proposed (pence per share) | | **Nil** | Nil |

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

# Group Statement of Financial Position

**As at 30 June 2024 and at 30 June 2023**

| | Notes | 2024 £'000 | 2023 £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment including right of use assets | 11 | **29** | 43 |
| Intangible assets | 12 | **13,432** | 14,462 |
| Deferred tax assets | 18 | **–** | 520 |
| **Total non-current assets** | | **13,461** | 15,025 |
| **Current assets** | | | |
| Inventories | 14 | **4,718** | 6,123 |
| Trade and other receivables | 15 | **4,794** | 4,774 |
| Cash and cash equivalents | 20 | **6,963** | 8,177 |
| **Total current assets** | | **16,475** | 19,074 |
| **Total assets** | | **29,936** | 34,099 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **3,250** | 4,687 |
| Current tax payable | | **2** | 2 |
| **Total current liabilities** | | **3,252** | 4,689 |
| **Non-current liabilities** | | | |
| Post-retirement benefit obligations | 21 | **–** | 1,619 |
| Deferred tax liabilities | 18 | **1,952** | 2,190 |
| **Total non-current liabilities** | | **1,952** | 3,809 |
| **Total liabilities** | | **5,204** | 8,498 |
| **Net assets** | | **24,732** | 25,601 |
| **EQUITY** | | | |
| Share capital | 19 | **1,397** | 1,397 |
| Share premium | 19 | **11,987** | 11,987 |
| Merger reserve | 19 | **6,588** | 6,588 |
| Retained earnings | 19 | **4,760** | 5,398 |
| **Equity attributable to holders of the parent** | | **24,732** | 25,370 |
| Non-controlling interest | | **–** | 231 |
| **Total equity** | | **24,732** | 25,601 |

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

Approved by the Board on 18 October 2024 and signed on its behalf by

Geoffrey Ellis

Chief Financial Officer and Company Secretary
Company Number: 01975376

# Company Statement of Financial Position

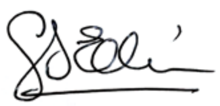
**For the year ended 30 June 2024 and the year ended 30 June 2023**

| | Notes | 2024 £'000 | 2023 £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 12 | **600** | 623 |
| Deferred tax assets | 18 | **–** | 525 |
| Investments | 13 | **14,608** | 17,671 |
| **Total non-current assets** | | **15,208** | 18,819 |
| **Current assets** | | | |
| Trade and other receivables | 15 | **349** | 2,424 |
| Cash and cash equivalents | 20 | **3,515** | 5,730 |
| **Total current assets** | | **3,864** | 8,154 |
| **Total assets** | | **19,072** | 26,973 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **2,064** | 2,906 |
| **Total current liabilities** | | **2,064** | 2,906 |
| **Non-current liabilities** | | | |
| Post-retirement benefit obligations | 21 | **–** | 1,619 |
| **Total non-current liabilities** | | **2,064** | 1,619 |
| **Total liabilities** | | **2,064** | 4,525 |
| **Net assets** | | **17,008** | 22,448 |
| **EQUITY** | | | |
| Share capital | 19 | **1,397** | 1,397 |
| Share premium | 19 | **11,987** | 11,987 |
| Merger reserve | 19 | **6,588** | 6,588 |
| Capital reserve | 19 | **467** | 467 |
| Retained earnings | 19 | **(3,431)** | 2,009 |
| **Total equity** | | **17,008** | 22,448 |

As permitted by Section 408 of the Companies Act 2006, the Company profit and loss account has not been presented. The Company's loss after tax for the year to June 2024 was £6.479m (2023: loss after tax £5.529m).

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

Approved by the Board on 18 October 2024 and signed on its behalf by



Geoffrey Ellis

Chief Financial Officer and Company Secretary
Company Number: 01975376

# Group Statement of Changes in Equity

**For the year ended 30 June 2024 and the year ended 30 June 2023**

| Group | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Retained earnings £'000 | Non-controlling interest £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| **Balance as at June 2023** | **1,397** | **11,987** | **6,588** | **5,398** | **231** | **25,601** |
| Non-controlling interest | – | – | – | – | 66 | 66 |
| Share-based payments | – | – | – | 26 | – | 26 |
| Purchase of remaining NCI shares | – | – | – | (239) | (297) | (536) |
| Transactions with owners | – | – | – | (213) | (231) | (444) |
| Loss for the year attributable to equity shareholders | – | – | – | (1,456) | – | (1,456) |
| *Other comprehensive income:* | | | | | | |
| Re-measurement of defined benefit liability | – | – | – | 1,031 | – | 1,031 |
| Total comprehensive income for the year | – | – | – | (425) | – | (425) |
| **Balance as at June 2024** | **1,397** | **11,987** | **6,588** | **4,760** | **–** | **24,732** |

| Group | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Retained earnings £'000 | Non-controlling interest £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| **Balance as at June 2022** | **1,397** | **11,987** | **6,588** | **11,554** | **228** | **31,754** |
| Non-controlling interest | – | – | – | – | 3 | 3 |
| Share-based payments | – | – | – | (12) | – | (12) |
| Transactions with owners | – | – | – | (12) | 3 | (9) |
| Loss for the year attributable to equity shareholders | – | – | – | (6,588) | – | (6,588) |
| *Other comprehensive income:* | | | | | | |
| Re-measurement of defined benefit liability | – | – | – | 444 | – | 444 |
| Total comprehensive income for the year | – | – | – | (6,144) | – | (6,144) |
| **Balance as at June 2023** | **1,397** | **11,987** | **6,588** | **5,398** | **231** | **25,601** |

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

# Company Statement of Changes in Equity

**For the year ended 30 June 2024 and the year ended 30 June 2023**

| Company | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Capital reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| **Balance as at June 2023** | **1,397** | **11,987** | **6,588** | **467** | **2,009** | **22,448** |
| Share-based payments | – | – | – | – | 8 | 8 |
| Transactions with owners | – | – | – | – | 8 | 8 |
| Loss for the year | – | – | – | – | (6,479) | (6,479) |
| *Other comprehensive income:* | | | | | | |
| Re-measurement of defined benefit liability | – | – | – | – | 1,031 | 1,031 |
| Total comprehensive income for the year | – | – | – | – | (5,448) | (5,448) |
| **Balance as at June 2024** | **1,397** | **11,987** | **6,588** | **467** | **(3,431)** | **17,008** |

| Company | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Capital reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| **Balance as at June 2022** | **1,397** | **11,987** | **6,588** | **467** | **7,118** | **27,557** |
| Share-based payments | – | – | – | – | (24) | (24) |
| Transactions with owners | – | – | – | – | (24) | (24) |
| Loss for the year | – | – | – | – | (5,529) | (5,529) |
| *Other comprehensive income:* | | | | | | |
| Re-measurement of defined benefit liability | – | – | – | – | 444 | 444 |
| Total comprehensive income for the year | – | – | – | – | (5,085) | (5,085) |
| **Balance as at June 2023** | **1,397** | **11,987** | **6,588** | **467** | **2,009** | **22,448** |

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

# Cash Flow Statement

**For the year ended 30 June 2024 and the year ended 30 June 2023**

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 £'000 | 2023 £'000 | 2024 £'000 | 2023 £'000 |
| **Cash flow from operating activities** | | | | |
| Loss before taxation | **(1,446)** | (6,773) | **(6,311)** | (5,493) |
| Depreciation | **33** | 32 | **–** | – |
| Amortisation | **1,054** | 1,118 | **23** | 74 |
| Impairment of property, plant & equipment | **–** | (166) | **–** | – |
| Impairment of intangible assets | **–** | 3,500 | **–** | – |
| Impairment of investment | **–** | – | **3,600** | 3,500 |
| Finance income | **(173)** | (111) | **(161)** | (111) |
| Finance cost | **74** | 88 | **74** | 88 |
| Decrease in inventories | **1,405** | 1,252 | **–** | – |
| (Increase)/decrease in trade and other receivables | **(20)** | 325 | **2,075** | (904) |
| (Decrease) in trade and other payables | **(1,442)** | (2,082) | **(829)** | (996) |
| Share-based payment expense | **26** | (14) | **8** | (23) |
| Contributions to defined benefit plans | **(318)** | (318) | **(318)** | (318) |
| **Cash outflow from operations** | **(807)** | (3,149) | **(1,839)** | (4,183) |
| Taxation received | **–** | (66) | **–** | – |
| **Net cash outflow from operating activities** | **(807)** | (3,215) | **(1,839)** | (4,183) |
| **Cash flow from investing activities** | | | | |
| Purchase of property, plant and equipment | **(19)** | (22) | **–** | – |
| Purchase of intangible assets | **(24)** | (44) | **–** | – |
| Cash consideration paid for acquiring minority interest | **(537)** | – | **(537)** | – |
| **Net cash flow from investing activities** | **(580)** | (66) | **(537)** | – |
| **Cash flow from financing activities** | | | | |
| Finance income received | **173** | 111 | **161** | 111 |
| **Net cash flow from financing activities** | **173** | 111 | **161** | 111 |
| **Net decrease in cash and cash equivalents** | **(1,214)** | (3,170) | **(2,215)** | (4,072) |
| **Cash and cash equivalents at beginning of year** | **8,177** | 11,347 | **5,730** | 9,802 |
| **Cash and cash equivalents at end of year** | **6,963** | 8,177 | **3,515** | 5,730 |

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

# Notes to the Financial Statements

## Note 1 Significant accounting policies

### General information

Brand Architekts Group plc is a public limited company which is listed on AIM and is 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 results for the current period have been drawn up for a traditional 12 month calendar year.

### Basis of preparation

The Group has prepared its consolidated financial statements, and the Company has prepared its single entity financial statements in accordance with UK adopted International Accounting Standards (UK adopted IAS) in conformity with the requirements of the Companies Act 2006. These financial statements have been prepared under the historical cost convention.

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. In making this assessment directors have considered the possible impact of a reduction of trading on budgets and have stress tested the figures by comparing costs committed to with the cash available which showed sufficient headroom to continue trading. On this basis, they consider it appropriate to adopt the going concern basis in the preparation of these accounts.

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

### Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings. The results and net assets of undertakings acquired or disposed of during a financial year are included in the Group Statement of Comprehensive Income and Group Statement of Financial Position from the effective date of acquisition or to the effective date of disposal. Subsidiary undertakings have been consolidated using the acquisition 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 2024 was £6.479m (2023: loss after tax £5.529m).

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2024. 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 and capable of operating in the manner intended by management.

**(ii) Brand names and customer relationships**

Brand names and customer relationships acquired are recognised as intangible assets at their fair values (see Note 12).

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

Brand names are amortised on a straight-line basis over five years or considered to have an indefinite life. Where they are considered to have an indefinite life, they are tested for impairment annually. This is on the basis that the brand is well established and there is no foreseeable limit on the period of time over which it is expected to contribute to cash flow.

**(iii) Goodwill**

An impairment test is undertaken where there are indicators of impairment or on an annual basis where intangible assets are determined to have an infinite useful life such as Brands and goodwill. Brands and goodwill are combined together as part of the same cash-generating unit (CGU) and tested together as described below in the impairment of assets section.

# Notes to the Financial Statements continued

## Note 1 Significant accounting policies continued

### Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation. Where there is evidence of impairment, property, plant and equipment is written down to its recoverable amount. Any such write-down is charged to the profit or loss for the year. Property, plant and equipment are depreciated on a straight-line basis over their expected useful lives as follows:

| | |
|---|---|
| Plant and machinery | 5% to 33% per annum |

Depreciation is charged to administrative expenses and is recognised at the point an asset is complete.

### Impairment of assets
An impairment test is performed annually where required and whenever events and circumstances indicate that the carrying value of an asset may exceed its recoverable amount. The carrying value is compared against the expected recoverable amount of the asset being the higher of the present value of the future net cash flows expected to be derived from that asset (value in use) or the fair value, less costs to sell.

### Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those incurred in bringing each product to its present location and condition, which in the main constitute the purchase price of the goods as well as duty and transportation costs where relevant. Net realisable value is based on estimated selling price.

Inventory is written down to net realisable value where there is a reasonable expectation that it will not be able to be sold for greater than cost. Associated disposal costs are also provided for where necessary.

### Taxation
Current tax is the tax payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the Statement of Financial Position date.

Changes in deferred tax assets or liabilities are recognised in profit or loss as a component of tax expense in the Statement of Comprehensive Income, except where they relate to items that are charged or credited directly to equity (such as the pension scheme re-measurement) in which case the related deferred tax is also charged or credited directly to equity.

### Foreign currencies
Trading transactions denominated in foreign currencies are recorded in sterling at actual rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the middle market rates ruling at the Statement of Financial Position date. Such exchange differences are recognised in the profit or loss for the year.

The results of subsidiary undertakings with a different functional currency to the Group are translated into sterling at the average rate during the period. The statement of financial position of such subsidiaries are translated at the closing rate. Differences created by the retranslation of such subsidiaries, where material, between the average, opening and closing rates are recognised in other comprehensive income and included in the foreign currency translation reserve.

### Revenue recognition
Revenue derived from the sale of goods 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 at which title has changed which is dependent on individual customer terms rather than over a period of time. As such, no contract assets or liabilities have been recognised. Costs incurred in obtaining new customers or contracts are written off as incurred and are not taken into consideration when assessing the cost of fulfilling a contract as contracts tend to be satisfied in a period of less than 12 months.

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

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

All leases held by the Group are short term and of low value.

## Employee benefits

**Pension obligations**

The Group operates both defined benefit and defined contribution pension plans.

### i) Defined benefit plans

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

### ii) Defined contribution plans

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

### iii) Share-based payment transactions

The value, as at the grant date, of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

## Financial assets

The Group's financial assets consist of loans and receivables and financial assets at fair value through profit or loss. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the profit or loss.

## Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

## 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.

## Distributions to shareholders

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

## Exceptional items

Exceptional items are non-recurring material items which are outside the normal scope of the Group's ordinary activities such as liabilities and costs arising from a fundamental restructuring of the Group's operations, impairment of assets and acquisition-related costs, including follow-on costs from such items in subsequent years.

# Notes to the Financial Statements continued

## Note 1 Significant accounting policies continued

### Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Group that have the most significant impact on the financial statements:

**Post-retirement benefits**

The Group has a commitment to pay certain future administration costs and PPF levies associated with the Group's defined benefit pension plan as set out in Note 21 Post Retirement Benefits. These future cash flows relate to services that have yet to be provided and which cannot be provided for under IFRS and as such management has not provided for this in the accounts.

### 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 the higher of fair value less costs to sell and a discounted cashflow approach. As a result of the annual review, there is no impairment in the consolidated Group accounts (2023: £3.5m). The carrying value of the Group's intangible assets subject to annual impairment reviewed (due to indefinite useful lives) is £13.4m (2023: £14.4m). Note 12 discloses the assumptions used and sensitivity. There are, however, impairments in the investment held by the company in The Brand Architekts Limited and SkinnyTan UK Limited of £1.7m and £1.9m respectively. Both of these Companies are wholly owned subsidiaries.

**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 £nil (2023: £1.6m) before deferred taxation. The size of the deficit is sensitive to the market value of the underlying plan investments and the actuarial assumptions which include price inflation, pension and salary increases, the discount rate used in assessing the liabilities, mortality rates, and other demographic factors. Further details are included in Note 21.

**Carrying value of inventory/inventory provisioning**

Inventory provisioning includes a number of judgements and estimates and gives rise to inherent uncertainty. Some products are perishable and are required to comply with cosmetic labelling laws. Judgements are required to be made surrounding the demand and sell-through period of these products. If the estimated net realisable value anticipated were to decrease by 5% for inventory lines that are expected to be sold for below cost price, a further provision of £216,000 (2023: £278,000) would be required at the year end. Equally, if the estimated net realisable value anticipated were to increase by 5% the provision would reduce by £216,000 (2023: £278,000).

### 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 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 three reportable segments of the Group, the reportable segments of the Group were aggregated as follows:

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

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

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

### a) Principal measures of profit and loss – Income Statement segmental information for year ended 30 June 2024 and year ended 30 June 2023:

| Year ended 30 June 2024 | Brand Architekts Brands £'000 | InnovaDerma Brands £'000 | Eliminations and Central Costs £'000 | Total £'000 |
|---|---|---|---|---|
| UK revenue | 10,592 | 2,698 | – | **13,290** |
| International revenue | 3,280 | 457 | – | **3,737** |
| Revenue – external | 13,872 | 3,155 | – | **17,027** |
| **Total revenue** | **13,872** | **3,155** | **–** | **17,027** |
| **Underlying profit/(loss) from operations** | **457** | **(147)** | **(721)** | **(411)** |
| Credit/(charge) for share-based payments | (18) | – | (8) | **(26)** |
| Amortisation of acquisition-related intangibles | – | – | (975) | **(975)** |
| Other exceptional items (Note 3) | (83) | (25) | (25) | **(133)** |
| Net financing income/(expense) | 10 | 2 | 87 | **99** |
| **Profit/(loss) before taxation** | **366** | **(170)** | **(1,642)** | **(1,446)** |
| Tax charge | – | (20) | 76 | **56** |
| **Loss for the year** | **366** | **(190)** | **(1,566)** | **(1,390)** |

| Year ended 30 June 2023 | Brand Architekts Brands £'000 | InnovaDerma Brands £'000 | Eliminations and Central Costs £'000 | Total £'000 |
|---|---|---|---|---|
| UK revenue | 11,243 | 4,538 | – | **15,781** |
| International revenue | 3,225 | 1,079 | – | **4,304** |
| Revenue – external | 14,468 | 5,617 | – | **20,085** |
| **Total revenue** | **14,468** | **5,617** | **–** | **20,085** |
| **Underlying loss from operations** | **193** | **(233)** | **(1,166)** | **(1,206)** |
| Credit/(charge) for share-based payments | (12) | – | 24 | **12** |
| Amortisation of acquisition-related intangibles | – | – | (1,027) | **(1,027)** |
| Exceptional items – impairment of intangible assets (Note 3) | – | (3,500) | – | **(3,500)** |
| Other exceptional items (Note 3) | (147) | (297) | (634) | **(1,078)** |
| Net borrowing income/(expense) | – | – | 26 | **26** |
| Loss before taxation | 34 | (4,030) | (2,777) | **(6,773)** |
| **Tax charge** | **77** | **(91)** | **202** | **188** |
| Loss for the period | 111 | (4,121) | (2,575) | **(6,585)** |

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

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

# Notes to the Financial Statements continued

## Note 2 Segmental analysis continued

### b) Other Income Statement segmental information

| Year ended 30 June 2024 | Brand Architekts Brands £'000 | InnovaDerma Brands £'000 | Eliminations and Central Costs £'000 | Total £'000 |
|---|---|---|---|---|
| Depreciation/impairment of PPE | **33** | **–** | **–** | **33** |
| Amortisation/impairment of intangibles* | **79** | **–** | **975** | **1,054** |

| Year ended 30 June 2023 | Brand Architekts Brands £'000 | InnovaDerma Brands £'000 | Eliminations and Central Costs £'000 | Total £'000 |
|---|---|---|---|---|
| Depreciation | 32 | – | – | 32 |
| Amortisation/impairment* | 91 | 3,500 | 1,027 | 4,618 |

* Impairment losses of £nil (2023: £nil) in Central Costs is included in Exceptional Items – impairment of intangible assets.

### 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.

### d) Additional entity-wide disclosures

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

| Geographical segments | Year ended 30 June 2024 £'000 | Period ended 30 June 2023 £'000 |
|---|---|---|
| UK | **13,290** | 15,781 |
| Other European Union countries | **751** | 642 |
| Rest of the World | **2,986** | 3,662 |
| | **17,027** | 20,085 |

In the year ended 30 June 2024, the Group had two customers that exceeded 10% of total revenues, being 11.0% and 10.7% respectively. In the year ended 30 June 2023, the Group had one customer that exceeded 10% of total revenues, being 13.7%. All of these customers are reported within the Brand Architekts Brands segment. Revenue is recognised when goods are despatched to the customer and the significant risks and rewards of ownership to the customer have been transferred. 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.

## Note 3 Exceptional items

| Exceptional charges/(credits) from Continuing Operations: | Period ended 30 June 2024 £'000 | Period ended 30 June 2023 £'000 |
|---|---|---|
| Exceptional items – impairment of intangible assets | **–** | 3,500 |
| Other exceptional items: | | |
| Restructuring costs | **83** | 390 |
| Legal costs | **31** | 705 |
| Other exceptional costs | **19** | (17) |
| Total exceptional items | **133** | 4,578 |

Exceptional impairments of intangible assets relates to the partial impairment of the InnovaDerma brand of £nil (2023: £3.5m).

Restructuring costs of £0.08m (2023: £0.4m) have been incurred following the acquisition of InnovaDerma in 2022.

Legal costs of £0.03m (2023: £0.7m) associated with the resolution of the claim with MR. Haircare were incurred in the year. There are no further costs connected with the settlement agreement (2023: £425k).

## Note 4 Loss before taxation

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| **(a) This is stated after charging/(crediting)** | | |
| Depreciation of property, plant and equipment of purchased assets | **33** | 32 |
| Amortisation of intangible assets | **1,054** | 1,118 |
| Impairment of intangible assets and property, plant and equipment (classified as exceptional – Note 3) | **–** | – |
| Foreign exchange (gains)/losses | **51** | 66 |
| Amounts expensed for short-term and low value leases | **56** | 56 |
| **(b) Auditors' remuneration** | | |
| **Audit services:** | | |
| Audit of the Company financial statements | **64** | 57 |
| Audit of subsidiary undertakings | **44** | 32 |
| **Audit-related services:** | | |
| Interim review | **3** | 3 |

## Note 5 Staff costs

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Wages and salaries | **2,470** | 3,111 |
| Social security costs | **290** | 363 |
| Other pension costs | **111** | 119 |
| | **2,871** | 3,593 |

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

| Number | 2024 Number | 2023 Number |
|---|---|---|
| Administration | **45** | 50 |
| | **45** | 50 |

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

| | Salary/fees £'000 | Bonuses £'000 | Pension contributions* £'000 | Total 2024 £'000 | Total 2023 £'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Q G A Higham | 227 | – | 22 | **249** | 261 |
| T R J Carter | – | – | – | **–** | 212 |
| G Ellis | 78 | – | 7 | **85** | 7 |
| **Non-executive directors** | | | | | |
| E J Beale | – | – | – | **–** | 12 |
| R S McDowell | 41 | – | – | **41** | 55 |
| C G How | 31 | – | – | **31** | 30 |
| A N Bennett | 27 | – | – | **27** | 30 |
| S Pyper | – | – | – | **–** | 28 |
| | 404 | – | 29 | **433** | 635 |

* Pension contributions relate to defined contribution scheme pension contributions.

# Notes to the Financial Statements continued

## Note 5 Staff costs continued

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

| Share options: | Number of share options at June 2023 | Number of share options lapsed in year | Number of share options cancelled in the year | Number of share options awarded in the year | Number of shares options exercised in the year | Number of share options at June 2024 | Exercise price | Earliest exercise date | Exercise expiry date |
|---|---|---|---|---|---|---|---|---|---|
| Q Higham | 486,743 | – | (145,228) | 400,000 | – | 741,515 | Nil | 30/09/23 | 30/09/30 |
| G Ellis | – | – | – | 50,000 | – | 50,000 | Nil | 30/09/23 | 30/09/30 |
| **Total share options** | **486,743** | **–** | **(145,228)** | **450,000** | **–** | **791,515** | | | |

The mid-market price of the Ordinary Shares on 30 June 2024 was 29.5p (2023: 36.0p) and the range during the period to 30 June 2024 was 20.5p to 36.0p (year to 30 June 2023: 24.5p to 57.50p).

## 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 2024 £'000 | Period of expense |
|---|---|---|---|---|---|---|
| 2020-2023 LTIP – execs share options | 341,515 | – | Nil | 63p | 6 | 3 years |
| 2024 LTIP – execs share options | 169,231 | – | 26.5p | 93p | 2 | 3 years |
| 2024 Share options - managers | 805,769 | – | 26.5p | 11p | 16 | 3 years |
| **Total options granted** | **1,316,515** | **–** | | | **24** | |

During the year there were 169,231 2024 LTIP – exec share options issued, 805,769 2024 share options – managers issued and 145,228 2020-2023 LTIP – exec share options cancelled.

The total number of Ordinary Shares subject to options and which could, in the future, be issued is 1,316,515 (2023: 514,743). This represents 4.73% (2023: 1.84%) of the issued share capital of the Company which comprised 27,943,180 Ordinary Shares at the reporting date. All share options are equity settled.

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

The LTIP exec share options have been valued using a Monte Carlo simulation model.

### Period ended June 2024 awards

The managers' share options were issued on 14 December 2023 under a Company Share Option Scheme (CSOP) and have an exercise price of 26.5p and no performance conditions attached, with vesting after a minimum of three years and a maximum of six years.

The LTIP options granted on 14 December 2023 have an exercise price of 26.5p with the only performance condition being continued employment. At the end of the three-year cycle the options can be exercised at nil cost. Upon vesting, 100% of the award will be made in shares.

### Period ended June 2023 awards

All of the options granted under the LTIP on 9 June 2023 had two performance conditions attached to them. 100% of the award is linked to certain share price targets and the achievement of the individual performance targets over the plan cycle. To the extent that both of the performance conditions are met at the end of the three-year performance cycle, then the options can be exercised at nil cost. Upon vesting, 100% of the award will be made in shares.

## Note 7 Finance income

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Bank interest receivable | **173** | 111 |
| | **173** | 111 |

## Note 8 Finance costs

| Total £'000 | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Pension plan notional finance charge | **74** | 88 |
| | **74** | 88 |

| Calculation of net pension scheme costs | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Interest cost | **(1,165)** | (986) |
| Interest income on plan assets | **1,091** | 898 |
| | **(74)** | (88) |

## Note 9 Taxation

### (a) Analysis of tax charge in the year

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| **UK corporation tax:** | | |
| – on profit for the year | **–** | – |
| – adjustment in respect of previous years | **5** | – |
| **Total current tax credit** | **–** | – |
| **Deferred tax:** | **–** | – |
| – current year (credit)/charge | **(61)** | (188) |
| **Total deferred tax charge** | **(61)** | (188) |
| **Tax charge** | **(56)** | (188) |

### (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 25.00% (2023: 20.50%).

The differences are reconciled below:

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Loss before taxation | **(1,446)** | (6,773) |
| Tax at the applicable rate of 25% (2023: 20.5%) | **(361)** | (1,388) |
| **Effect of:** | | |
| Adjustment in respect of previous years | **5** | – |
| Expenses not deductible for tax purposes | **162** | 792 |
| Adjustment to losses | **–** | 15 |
| Income not taxable for tax purposes | **–** | – |
| Deferred tax asset not recognised on taxable losses | **134** | 494 |
| Re-measurement of deferred tax for changes in tax rates | **–** | (44) |
| Other timing differences | **4** | (57) |
| **Actual tax (credit)** | **(56)** | (188) |
| **Amount of tax charged directly to equity** | **344** | 376 |

The Group has tax losses of £13.8m (2023: £12.9m) which have not been recognised as there is no certainty that they can be utilised.

# Notes to the Financial Statements continued

## Note 10 Earnings per share

| | 2024 | 2023 |
|---|---|---|
| **Basic and diluted** | | |
| Loss for the year attributable to equity holders (£'000) | **(1,456)** | (6,588) |
| Basic weighted average number of Ordinary Shares in issue during the year | **27,943,180** | 27,943,180 |
| Diluted number of shares | **28,748,949** | 28,032,180 |
| **Basic loss per share** | **(5.2)p** | (23.5)p |
| **Diluted loss per share** | **(5.2)p** | (23.5)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 2024 and 30 June 2023 respectively.

## Note 11 Property, plant and equipment

| Group | Plant and machinery £'000 |
|---|---|
| **Cost:** | |
| At June 2022 | 315 |
| Additions | 22 |
| At June 2023 | 337 |
| Additions | 19 |
| **At June 2024** | **356** |
| **Depreciation:** | |
| At June 2022 | 262 |
| Provided during the year | 32 |
| At June 2023 | 294 |
| Provided during the year | 33 |
| **At June 2024** | **327** |
| **Net book value:** | |
| **At June 2024** | **29** |
| At June 2023 | 43 |

No property, plant and equipment or right-of-use assets were held by the Company during the year ending 30 June 2024, or the comparative period.

## Note 12 Intangible assets

| Group | Software and trademarks | Brand names £'000 | Customer relationships £'000 | Goodwill £'000 | Trade marks £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| At June 2022 | 603 | 10,323 | 4,455 | 8,354 | 19 | 23,754 |
| Additions | 44 | – | – | – | – | 44 |
| At June 2023 | 647 | 10,323 | 4,455 | 8,354 | 19 | 23,798 |
| Additions | 24 | – | – | – | – | 24 |
| **At June 2024** | **671** | **10,323** | **4,455** | **8,354** | **19** | **23,822** |
| **Amortisation:** | | | | | | |
| At June 2022 | 471 | 3,024 | 1,386 | – | 3 | 4,884 |
| Provided during the year | 85 | 466 | 561 | – | 6 | 1,118 |
| Impairment charge during the year | – | – | – | 3,500 | – | 3,500 |
| Disposals | – | – | – | (166) | – | (166) |
| At June 2023 | 556 | 3,490 | 1,947 | 3,334 | 9 | 9,336 |
| Provided during the year | 69 | 322 | 653 | – | 10 | 1,054 |
| **At June 2024** | **625** | **3,812** | **2,600** | **3,334** | **19** | **10,390** |
| **Net book value:** | | | | | | |
| **At June 2024** | **46** | **6,511** | **1,855** | **5,020** | **–** | **13,432** |
| At June 2023 | 91 | 6,833 | 2,508 | 5,020 | 10 | 14,462 |

| Company | Brand names £'000 | Customer relationships £'000 | Total £'000 |
|---|---|---|---|
| **Cost:** | | | |
| At June 2022 | 3,624 | 480 | 4,104 |
| At June 2023 | 3,624 | 480 | 4,104 |
| **At June 2024** | **3,624** | **480** | **4,104** |
| **Amortisation:** | | | |
| At June 2022 | 3,024 | 383 | 3,407 |
| Provided during the year | – | 74 | 74 |
| At June 2023 | 3,024 | 457 | 3,481 |
| Provided during the year | – | 23 | 23 |
| **At June 2024** | **3,024** | **480** | **3,504** |
| **Net book value:** | | | |
| **At June 2024** | **600** | **–** | **600** |
| At June 2023 | 600 | 23 | 623 |

### Impairment testing

Three brands (Brand Architekts, Fish and InnovaDerma) and associated goodwill have been tested for impairment as they have indefinite useful lives. All the brands gave a valuation in excess of their carrying values, and therefore no impairment is required.

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

The present value of the expected cash flows is determined by applying a suitable discount rate for current market assessments of the time value of money and risks specific to the brand. The discount rate applied is 12.2% (2023: 8.1%), reflecting expected returns for AIM-listed businesses as well as the debt-free capital structure of the Group.

# Notes to the Financial Statements continued

## Note 12 Intangible assets continued

### Growth assumptions
Management has 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 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. The expectations included in the workings are for increases in performance and profits being made due to cost synergies from integration into the BAG group and a focus on higher margin products.

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 is £600,000. Goodwill held in relation to InnovaDerma was £2,402,000. The value of the customer relationship intangibles for Brand Architekts are £313,000. The values of the customer relationship and brand intangibles for InnovaDerma are £1,397,000 and £964,000 respectively.

### Sensitivity analysis
Impairment is assessed on the higher of the value in use and fair value less costs to sell and as a result the fair value has been used to assess the impairment. The maximum amount that fair value less costs to sell would reduce by before there is an impairment is £2,636k for Brand Architekts goodwill and brand names and £1,282k for the Innovaderma group goodwill.

## Note 13 Investments

| Company | Investments in subsidiaries £'000 |
|---|---|
| **Cost:** | |
| At June 2023 | 27,405 |
| Additions | 537 |
| **At June 2024** | **27,942** |
| **Provision for impairment:** | |
| At June 2023 | (9,734) |
| Impairment charge | (3,600) |
| **At June 2024** | **(13,334)** |
| **Net book value:** | |
| **At June 2024** | **14,608** |
| At June 2023 | 17,671 |

| Investment In subsidiaries | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Brand Architekts | **10,384** | 12.084 |
| InnovaDerma | **3,687** | 5,587 |
| MR. Haircare Limited | **537** | – |
| | **14,608** | 17,671 |

The additions represent the purchase of the remaining 51% of the share capital of MR. Haircare Limited. The company is now 100% owned. It was previously included in the Group consolidation as the Group had control.

The investments held by the Company in The Brand Architekts Limited and SkinnyTan UK Limited have been impaired by £1.7m and £1.9m following an impairment review. Both of these Companies are wholly owned subsidiaries.

The Company has the following investments:

| Name of company | Country of registration | Nature of business | Percentage of voting rights held 2024 | Percentage of voting rights held 2023 |
|---|---|---|---|---|
| The Brand Architekts Limited | England | Trading | **100** | 100 |
| MR. Haircare Limited | England | Trading | **100** | 51 |
| InnovaDerma Limited | England | Intermediate holding company | **100** | 100 |
| InnovaDerma UK Limited* | England | Trading | **100** | 100 |
| SkinnyTan UK Limited* | England | Trading | **100** | 100 |
| InnovaDerma AUS & NZ Pty Ltd* | Australia | Trading | **100** | 100 |
| Skinny Tan Pty* | Australia | Trading | **100** | 100 |
| Bach Brands Pty Ltd* | Australia | Dormant | **100** | 100 |
| InnovaDerma, Inc* | USA | Dormant | **100** | 100 |
| Innova Science, Inc* | USA | Trading | **100** | 100 |
| InnovaDerma Philippines Inc* | Philippines | Group support service | **100** | 100 |

For the year ended 30 June 2024, the following subsidiary companies were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies:

InnovaDerma UK Limited (Registered number: 09028508)

InnovaDerma Limited (Registered number: 09226823)

MR. Haircare Limited (Registered number:09495035)

* Held indirectly through the investment in InnovaDerma Limited.

The registered office of The Brand Architekts Limited and MR. Haircare Limited is the same as that of Brand Architekts Group plc.

The registered office of InnovaDerma Limited, InnovaDerma UK Limited and Skinny Tan Limited is 27 Old Gloucester Street, London, WC1N 3AX.

The registered office of Innova Science Inc is 251 Little Falls Drive, Wilmington, Delware, USA.

The registered office of InnovaDerma Aus & NZ Pty Limited and Skinny Tan Pty Limited is Level 42, 2 Park Street Sydney NSW 2000 Australia.

## Note 14 Inventories

| Group | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Raw materials | **78** | 130 |
| Finished goods and goods for resale | **4,640** | 5,993 |
| | **4,718** | 6,123 |

The Group consumed inventories totalling £9.9m during the year (2023: £12.0m).

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

| | 2024 £'000 |
|---|---|
| Opening balance | **(1,022)** |
| Utilised/released in the period | **417** |
| Closing balance | **(605)** |

# Notes to the Financial Statements continued

## Note 15 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2024 £'000** | 2023 £'000 | **2024 £'000** | 2023 £'000 |
| Trade receivables | **4,405** | 4,242 | **–** | 15 |
| Amounts owed by Group undertakings | **–** | – | **298** | 2,344 |
| Other receivables | **18** | 118 | **4** | 3 |
| Prepayments | **371** | 414 | **47** | 62 |
| | **4,794** | 4,774 | **349** | 2,424 |

The amounts owed by Group undertakings relate to intercompany receivables. These are repayable on demand and no interest is charged. An impairment charge of £2,056.000 has been recognised on balances due from Group companies in the 2024 Company amounts. The decrease on Other receivables on a Group basis compared to the prior year relates to the timing difference of 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 | **2024 £'000** | 2023 £'000 |
|---|---|---|
| Opening balance | **149** | 32 |
| (Credit)/charged to profit and loss | **(70)** | 117 |
| Closing balance | **79** | 149 |

An allowance has been made for estimated irrecoverable amounts of £79,000 (2023: £149,000). 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 1.8% (2023: 3.5%). The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Ageing of trade receivables:

| Group | **2024 £'000** | 2023 £'000 |
|---|---|---|
| Current | **3,683** | 3,035 |
| Overdue but less than 90 days | **416** | 1,123 |
| More than 90 days overdue | **306** | 84 |
| | **4,405** | 4,242 |

Our policy requires customers to pay us in accordance with agreed payment terms. Depending on the geographical location, our settlement terms are generally due within 30 or 60 days from the end of the month of sale and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. Where the Group identifies a specific concentration of credit risk attached to any individually significant balances these are specifically reviewed for recoverability and suitable provision made having regard to the credit risk identified.

## Note 16 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2024 £'000** | 2023 £'000 | **2024 £'000** | 2023 £'000 |
| Trade payables | **1,459** | 1,871 | **10** | 224 |
| Amounts owed to subsidiaries | **–** | – | **1,976** | 1,901 |
| Other taxes and social security costs | **87** | 54 | **–** | – |
| Accruals | **1,638** | 1,849 | **63** | 769 |
| Other payables | **66** | 913 | **15** | 12 |
| | **3,250** | 4,687 | **2,064** | 2,906 |

The directors consider that the carrying value of trade and other payables approximates to their fair value. Amounts owed to subsidiaries are payable on demand and no interest is charged.

## Note 17 Financial instruments

At 30 June 2024, there were sums totalling £779,030 (2023: £932,734) held in foreign currency bank accounts.

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

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

### Interest rate risk

The Group currently has no debt.

The Group Statement of Financial Position also includes financial assets in the form of cash at bank and in hand totalling £6,963,000 (2023: £8,177,000) which are exposed to floating interest rates based on bank base rates.

### Foreign currency risk

The Group is exposed to transactional foreign exchange risk. The Group seeks to hedge its exposures using bank facilities denominated in euros, US dollars, and Canadian dollars and also by buying and selling products in these currencies with the objective of minimising fluctuations in exchange rates on future transactions and cash flows.

Approximately 2% (2023: 1%) of the Group's total sales in the year were invoiced in euros, 10% (2023: 12%) in US dollars and 3% (2023: 3%) in Australian dollars. These sales are calculated in sterling, but invoiced in euros/US/Australian 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 £46,000 increase in reported profits and equity, while a 5% strengthening of sterling would result in a £43,000 decrease in profits and equity.

### Credit risk

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.

### 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 2024 | | | |
|---|---|---|---|---|
| | 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 | **3,250** | – | – | – |
| | **3,250** | – | – | – |

| | 30 June 2024 | | | |
|---|---|---|---|---|
| | 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 | **2,063** | – | – | – |
| | **2,063** | – | – | – |

# Notes to the Financial Statements continued

## Note 17 Financial instruments continued

| Group | 30 June 2023 Current Within 6 months £'000 | 30 June 2023 Current 6 – 12 months £'000 | 30 June 2023 Non-current 1 – 5 years £'000 | 30 June 2023 Non-current Over 5 years £'000 |
|---|---|---|---|---|
| Financial liabilities at amortised cost through profit or loss | 4,687 | – | – | – |
| | 4,687 | – | – | – |

| Company | 30 June 2023 Current Within 6 months £'000 | 30 June 2023 Current 6 – 12 months £'000 | 30 June 2023 Non-current 1 – 5 years £'000 | 30 June 2023 Non-current Over 5 years £'000 |
|---|---|---|---|---|
| Financial liabilities at amortised cost through profit or loss | 2,906 | – | – | – |
| | 2,906 | – | – | – |

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

### Capital maintenance
The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and
- to maintain an optimal capital structure to reduce the cost of capital.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

### Financial assets
Financial assets included in the Statement of Financial Position relate to the following IFRS9 categories:

| | Group **2024 £'000** | Group 2023 £'000 | Company **2024 £'000** | Company 2023 £'000 |
|---|---|---|---|---|
| Loans and receivables | **11,756** | 12,952 | **3,863** | 8,122 |
| | **11,756** | 12,952 | **3,863** | 8,122 |

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

| | Group **2024 £'000** | Group 2023 £'000 | Company **2024 £'000** | Company 2023 £'000 |
|---|---|---|---|---|
| Current assets: | | | | |
| Trade receivables | **4,405** | 4,243 | **–** | 15 |
| Other receivables and prepayments | **388** | 532 | **50** | 65 |
| Intercompany receivables | **–** | – | **298** | 2,344 |
| Cash and cash equivalents | **6,963** | 8,177 | **3,515** | 5,730 |
| | **11,756** | 12,952 | **3,863** | 8,154 |

**Financial liabilities**

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024 £'000** | 2023 £'000 | **2024 £'000** | 2023 £'000 |
| **Current liabilities:** | | | | |
| Trade payables | **1,459** | 1,871 | **10** | 226 |
| Intercompany payables | **–** | – | **1,976** | 1,902 |
| Accruals | **1,638** | 1,849 | **73** | 810 |
| Other payables | **153** | 967 | **4** | (32) |
| | **3,250** | 4,687 | **2,063** | 2,906 |

## Note 18 Deferred tax

The movement in deferred tax provisions is analysed as follows:

| Group | £'000 |
|---|---|
| **Deferred taxation** | |
| At June 2022 (net liability) | (1,698) |
| Recognised in profit or loss (including adjustments to the rate at which deferred tax is provided) | 176 |
| Recognised in other comprehensive income (including adjustments to the rate at which deferred tax is provided) | (148) |
| At June 2023 (net liability) | (1,670) |
| Recognised in profit or loss | 61 |
| Recognised in other comprehensive income | (343) |
| **At June 2024 (net liability)** | (1,952) |

| | **2024 £'000** | 2023 £'000 |
|---|---|---|
| **Deferred tax is represented by:** | | |
| Differences between book value and tax written down value | **(1,952)** | (2,190) |
| Temporary difference on post-retirement benefit obligations | **–** | 520 |
| Net liability | **(1,952)** | (1,670) |
| **Recognised as:** | | |
| Deferred tax assets | **–** | 520 |
| Deferred tax liabilities | **(1,952)** | (2,190) |
| Net liability | **(1,952)** | (1,670) |

| Company | £'000 |
|---|---|
| **Deferred taxation** | |
| At June 2022 (net asset) | 730 |
| Recognised in profit or loss | (57) |
| Recognised in other comprehensive income (including adjustments to the rate at which deferred tax is provided) | (148) |
| At June 2023 (net asset) | 525 |
| Recognised in profit or loss | (182) |
| Recognised in other comprehensive income | (343) |
| **At June 2024** | – |

# Notes to the Financial Statements continued

## Note 18 Deferred tax continued

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| **Deferred tax is represented by:** | | |
| Temporary difference on post-retirement benefit obligations | – | (525) |
| | – | (525) |
| **Recognised as:** | | |
| Deferred tax assets | – | (525) |
| | – | (525) |

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

Deferred tax has been provided for based on a tax rate of 25% (2023: 25%), being the substantively enacted tax rate.

No deferred tax assets have been recognised for taxable losses carried forward due to the uncertainty over their utilisation in the current economic environment. The Group and Company have taxable losses of £13.8m (2023: £12.9m for Group and Company) for which no deferred tax asset has been recognised.

## Note 19 Share capital and reserves

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| **Equity Ordinary Share capital** | | |
| Authorised share capital 33,681,004 (2023: 33,681,004) shares of 5p each | **1,684** | 1,684 |
| Allotted, called-up and fully paid Ordinary Shares at 30 June 2024 and 30 June 2023 | **1,397** | 1,397 |

### 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.

### Merger reserve
This reserve represents the difference between the fair value and the nominal value of shares issued in exchange for the shares of another company.

### Exchange reserve
This reserve represents exchange differences that had arisen on translation of the foreign controlled entity that had been recognised in other comprehensive income and accumulated in a separate reserve within equity.

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

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

### Non-controlling interest
In 2023 the non-controlling interest relates to the 49% shareholding of MR. Haircare Limited. Non-controlling interest is measured as a percentage of the net assets of MR. Haircare Limited at the year-end in 2023.

In 2024 the remaining 51% shareholding was purchased, resulting in the non-controlling interest being £nil.

## Note 20 Notes to Cash Flow Statement

| Group | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Decrease in cash and cash equivalents | **(1,214)** | (3,170) |
| Change in net cash | **(1,214)** | (3,170) |
| Opening net cash | **8,177** | 11,347 |
| Closing net cash | **6,963** | 8,177 |

### (a) Analysis of net cash:

| | Closing 2023 £'000 | Cash flow £'000 | Closing 2024 £'000 |
|---|---|---|---|
| Cash at bank and in hand | 8,177 | (1,214) | **6,963** |
| | 8,177 | (1,214) | **6,963** |

| Company | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Decrease in cash and cash equivalents | **(2,215)** | (4,072) |
| Change in net cash | **(2,215)** | (4,072) |
| Opening net cash | **5,730** | 9,802 |
| Closing net cash | **3,515** | 5,730 |

### (b) Analysis of net cash:

| | Closing 2023 £'000 | Cash flow £'000 | Closing 2024 £'000 |
|---|---|---|---|
| Cash at bank and in hand | 5,730 | (2,215) | **3,515** |
| | 5,730 | (2,215) | **3,515** |

## Note 21 Post-retirement benefits

The Group and Company operate defined contribution pension plans, all of which are funded by the payment of contributions to separately administered plans.

Contributions to defined contribution plans are expensed when they become due for payment and amounted to £111,000 (2023: £119,000). Employer contributions to these plans varied between 1% and 10% of salary depending on the plan and the level of employee contributions.

The Group and Company operates a funded defined benefit plan, the Aerosols International Pension Plan (the Plan) in the UK, which provides both pensions in retirement and death benefits to members.

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

The Plan is set up as a Trust, separate from the Group, and managed by the Trustees. The Trust has committed to paying 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 2023 and revealed a deficit of £4,612,000. The next triennial valuation of the plan will take place at 5 April 2026. The outcome of this is expected to be known in November 2026.

# Notes to the Financial Statements continued

## Note 21 Post-retirement benefits continued

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

| | 2024 £'000's | 2023 £'000's |
|---|---|---|
| Deficit recovery payments | **318** | 318 |
| Plan administrative expenses | **87** | 67 |
| Pension Protection Fund premium | **81** | 113 |
| **Total** | **486** | 498 |

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

| | 2024 £'000's | 2023 £'000's |
|---|---|---|
| **In Operating profit:** | | |
| Plan administrative expenses | **87** | 101 |
| Pension Protection Fund premium | **72** | 113 |
| | **159** | 214 |
| **In Finance costs:** | | |
| Unwinding of notional discount factor | **74** | 88 |
| **Total** | **233** | 302 |

The deficit reduction payment will be £318,000 per annum for three years to 2027. Beyond 2024, payments of £318,000 per annum, for a further nine years to 2033, will be made.

Anticipated payments by the Company in respect of plan administrative expenses and the pension protection fund premium in the year ending 30 June 2025 are expected to be of a similar order of magnitude to payments in 2024.

### IAS 19 Employee Benefits

IAS 19 requires that the assets and liabilities to members of the Plan are consolidated in these Group accounts using the valuation method prescribed in the accounting standard. The effects of the application of IAS19 on the statement of financial position at June 2024 are:

| | 2024 £'000s | 2023 £'000s |
|---|---|---|
| Decrease in pension and other benefit obligations | **1,375** | 820 |
| (Decrease)/increase in related deferred tax asset | **(344)** | (376) |
| **Increase in equity** | **1,031** | 444 |

The related deferred tax asset to the pension liability has decreased. See Note 18.

Accounting standards require the discount rate used for valuations under IAS 19 'Employee Benefits' to be based on yields on high quality (usually AA-rated) corporate bonds of appropriate currency, taking into account the term of the relevant pension plan's liabilities. Corporate bond indices are used as a proxy to determine the discount rate. At the reporting date, the yields on bonds of all types were higher than they were at 30 June 2024. 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 2024, the Group recognised under IAS 19 a net liability of £nil (2023: £1.6m).

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

| | 2024 | 2023 |
|---|---|---|
| Discount rate | **5.20%** | 5.10% |
| Inflation assumption (RPI) | **3.15%** | 3.50% |
| Inflation assumption (CPI) | **2.75%** | 3.15% |
| **Deferred revaluation for benefits in excess of GMP** | | |
| Deferred members | **2.80%** | 3.25% |
| **Rate of increase in pensions in payment:** | | |
| CPI, max 3% | **2.20%** | 2.40% |
| RPI, max 5% | **3.05%** | 3.30% |
| RPI, max 2.5% | **2.10%** | 2.20% |
| **Mortality assumptions:** | | |
| Life expectancy of male aged 65 now | **20.4** | 20.5 |
| Life expectancy of female aged 65 now | **22.8** | 22.9 |
| Life expectancy of male aged 65 in 20 years | **21.6** | 21.7 |
| Life expectancy of female aged 65 in 20 years | **24.2** | 24.3 |

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:

| | 2024 Market value £'000 | 2023 Market value £'000 |
|---|---|---|
| Equities | **13,083** | 12,091 |
| Property | **1,714** | 1,746 |
| Index-linked gilts | **1,161** | 1,251 |
| Corporate bonds | **2,089** | 1,947 |
| Diversified growth funds | **2,875** | 2,902 |
| LDI funds | **1,571** | 1,454 |
| Insureds | **128** | 140 |
| Other | **230** | 123 |
| **Fair value of plan assets** | **22,851** | 21,654 |

The actual return on plan assets was an increase of £1,730,000 (2023: decrease £1,283,000).

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

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Present value of funded obligations | **(22,044)** | (23,273) |
| Fair value of plan assets | **22,851** | 21,654 |
| **Surplus/(deficit)** | **807** | (1,619) |
| Unrecognised surplus | **(807)** | – |
| Net liability recognised in the Statement of Financial Position | **–** | (1,619) |

An asset ceiling has been applied on the basis that the Company is still required to contribute to the scheme and the total future contributions exceed the surplus. As a result, no surplus has been recognised within the financial statements. The Company has access to economic benefit in the future where the scheme is in surplus from reduced contributions and, as a result, no onerous liability in respect of future contributions is recognised.

# Notes to the Financial Statements continued

## Note 21 Post-retirement benefits continued

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

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Benefit obligation at beginning of year | **(23,273)** | (26,147) |
| **Movement in the year:** | | |
| Notional finance cost | **(1,165)** | (986) |
| Actuarial gains/(losses) – financial | **753** | 3,725 |
| Actuarial gains/(losses) – demographic | **129** | 378 |
| Actuarial gains/(losses) – experience | **661** | (1,332) |
| Net benefits paid out | **851** | 1,089 |
| **Benefit obligation at end of year** | **(22,044)** | (23,273) |

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

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Fair value of plan assets at beginning of year | **21,654** | 23,708 |
| **Movement in the year:** | | |
| Notional interest on plan assets | **1,091** | 898 |
| Return on assets, excluding interest income | **639** | (2,181) |
| Contributions – employer | **318** | 318 |
| Benefits paid out | **(851)** | (1,089) |
| **Fair value of plan assets at end of year** | **22,851** | 21,654 |

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

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Net re-measurement – financial | **753** | 3,725 |
| Net re-measurement – demographic | **129** | 378 |
| Net re-measurement – experience | **661** | (1,332) |
| Return on assets, excluding interest income | **639** | (2,181) |
| Impact of asset ceiling | **(807)** | – |
| | **1,375** | 590 |
| Deferred taxation | **(344)** | (146) |
| **Total re-measurement of the net defined benefit liability to be shown in OCI** | **1,031** | 444 |

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

| Statement of Financial Position | 2024 £'000 | 2023 £'000 | 2022 £'000 | 2021 £'000 | 2020 £'000 | 2019 £'000 |
|---|---|---|---|---|---|---|
| Present value of defined benefit obligation | **(22,044)** | (23,273) | (26,147) | (36,553) | (37,324) | (33,562) |
| Fair value of plan assets | **22,851** | 21,654 | 23,708 | 26,135 | 24,087 | 24,145 |
| Unrecognised surplus | **807** | – | – | – | – | – |
| **At end of year** | **–** | (1,619) | (2,439) | (10,418) | (13,237) | (9,417) |

## Characteristics of the Plan and the risks associated with the Plan

### a) Information about the characteristics the Plan

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

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

iii. The Plan is subject to the plan funding requirements outlined in UK legislation. The last scheme funding valuation of the Plan was as at 5 April 2023 and revealed a deficit of £4,612,000.

iv. The Plan membership as at 5 April 2023 comprised 217 deferred pensioner members and 161 pensioner members.

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

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

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

## Amount, timing and uncertainty of future cash flows

### a) Sensitivity analysis

Please note that the results in the disclosures are inherently volatile, particularly the figures shown on the statement of financial position. The results disclosures are dependent on the assumptions chosen by the Directors.

The table below shows the approximate impact of varying the key assumptions adopted as at June 2024.

| | | June 2024 £'000 |
|---|---|---|
| Discount rate (increase of 0.25% p.a.) | Decrease by | **740** |
| Rate of RPI inflation (increase of 0.25% p.a.) | Increase by | **460** |
| Mortality (1.5% long-term rate, rather than 1.25%) | Increase by | **120** |

### 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.

# Notes to the Financial Statements continued

## Note 22 Related parties

Compensation of key management personnel (including directors):

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Short-term employee benefits | **404** | 603 |
| Post-employment benefits | **29** | 32 |
| | **433** | 635 |

### 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 2024 Ordinary Shares | 30 June 2023 Ordinary Shares |
|---|---|---|
| C G How | **196,698** | 196,698 |
| R S McDowell | **1,676,490** | 1,676,490 |
| Q G A Higham | **37,037** | 37,037 |
| G J Ellis | **–** | – |
| A N Bennett | **–** | – |

**Company transactions with subsidiaries**

At the 2024 year end, the Company had receivables due from MR. Haircare Limited of £274,000 (2023: £266,000) being disclosed within 'Amounts owed by Group undertakings' (see Note 15). In the year to June 2024 MR. Haircare Limited made a profit after tax of £136,000 (2023: £7,000) and this is reported in the Group results. During the year the remaining 51% of the share capital was purchased and the company is now 100% owned.

In the year to June 2024, the Company sold products to the value of £nil (2023: £nil) and operated an inter-company current account with Brand Architekts Limited, a wholly owned subsidiary. At the 2024 year end, the Company had payables due to Brand Architekts Limited of £1,976,000 (2023: £1,901,000) being disclosed within 'Amounts owed to subsidiaries' (see Note 16). In the year to June 2024, Brand Architekts Limited made a profit before tax of £230,000 (2023: £42,000 loss before tax) and this is reported in the Group results.

In the year to June 2024, the Company sold products to the value of £nil (2023: £nil) and operated an inter-company current account with Skinny Tan UK Limited, a wholly owned subsidiary. At the 2024 year end, the Company had payables due to Skinny Tan UK Limited of £nil (2023: £nil) being disclosed within 'Amounts owed to subsidiaries' (see Note 16). In the year to June 2024, Skinny Tan UK Limited made a profit before tax and intergroup bad debt provisions of £79,000 (2023: £614,000 loss before tax) and this is reported in the Group results.

## Note 23 Other company financial commitments

Brand Architekts Group PLC has entered into cross guarantees with certain subsidiary companies in respect of bank facilities granted. There were no loans in place during the period.

# Corporate Directory

## Directors

R S McDowell (Non-Executive Chairman)
C G How (Non-Executive Director)
A Nelson-Bennet (Non-Executive Director)
Q G A Higham
G J Ellis

## Secretary

G J Ellis

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01975376

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## Solicitors

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## Bankers

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Bristol
BS1 6ER

## Website Address

www.brandarchitektsplc.com

## Financial Calendar

| | |
|---|---|
| 2024 Annual General Meeting | 3 December 2024 |
| Interim results announcement | March 2025 |
| Announcement of 2024 final results | October 2025 |
| 2025 Annual General Meeting | November 2025 |

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