Warpaint London plc
Annual Report
and Accounts 2023

Warpaint sells branded cosmetics under the lead brand names of W7 and Technic. W7 is sold in the UK primarily to major retailers and internationally to local distributors or retail chains. The Technic brand is sold in the UK and continental Europe with a significant focus on the gifting market, principally for high street retailers and supermarkets. In addition, Warpaint supplies own brand white label cosmetics produced for several major high street retailers. The Group also sells cosmetics under its other brand names of Man'stuff, Body Collection and Chit Chat, each targeting a different demographic.

"Warpaint's mission is to provide access to an extensive range of high quality cosmetics at an affordable price."

We strive to fulfil our mission by:

- Utilising marketing and advertising initiatives that are efficient
- Creating innovative, eye catching and desirable packaging
- Creating cosmetic products of high quality
- Always striving to improve and better our brand and product offers
- Being at the cutting edge of trend

Our Values

- We use high quality ingredients
- We manufacture products that are safe and kind to the user
- We follow and adhere strictly to all relevant regulatory compliance in all territories where we sell our products

Our Ethics

- We do not test our products on animals regardless of the regulatory requirements we encounter
- We always seek the best value and quality from every constituent ingredient
- We endeavour to ensure that all our suppliers mirror our values and understand our principles

Our Ethos - Who will you be Today?

- To give customers the ability and the flexibility to style themselves based on who they want to be
- To engage customers by interacting with them directly using a variety of media platforms
- To make our products easily available to our customers
- To empower our customers by seeking their feedback, interaction and views

Contents

Financial Summary

	Statutory Results Year ended 31 Dec 2023	 Year ended 31 Dec 2022
Revenue	**£89.6m**	£64.1m
Profit from operations	**£18.5m**	£8.0m
Profit margin from operations	**20.6%**	12.4%
Profit before tax ("PBT")	**£18.1m**	£7.7m
Earnings per share ("EPS")	**18.1p**	8.1p
Cash and cash equivalents	**£9.1m**	£5.9m

	Adjusted Statutory Results Year ended 31 Dec 2023	 Year ended 31 Dec 2022
Revenue	**£89.6m**	£64.1m
Adjusted profit from operations	**£18.8m***	£10.3m*
Adjusted profit margin from operations	**21.0%***	16.1%*
Adjusted PBT	**£18.4m***	£10.0m*
Adjusted EPS	**18.4p***	10.7p*
Cash and cash equivalents	**£9.1m**	£5.9m

*Adjusted numbers are closer to the underlying cash flow performance of the business which is regularly monitored and measured by management. Adjusted numbers strip out exceptional items, amortisation and share-based payments as follows:

	2023	2022
Statutory profit from operations	**£18.48m**	£7.97m
Exceptional items	–	£0.15m
Amortisation	**£0.19m**	£2.00m
Share based payments	**£0.13m**	£0.19m
***Adjusted profit from operations**	**£18.80m**	£10.31m

***Adjusted profit margin from operations**	**£18.80m / £89.59m = 21.0%**	£10.31m / £64.06m = 16.1%

Statutory PBT	**£18.12m**	£7.69m
Exceptional items	–	£0.15m
Amortisation	**£0.19m**	£2.00m
Share based payments	**£0.13m**	£0.19m
***Adjusted PBT**	**£18.44m**	£10.03m

Statutory profit attributable to equity holders	**£13.90m**	£6.25m
Exceptional items	–	£0.15m
Amortisation	**£0.19m**	£2.00m
Share based payments	**£0.13m**	£0.19m
Tax attributable to adjusting items	£(0.08)m	£(0.41)m
Adjusted profit attributable to equity holders	**£14.14m**	£8.18m
Weighted number of ordinary shares	**76,983,311**	76,752,355
***Adjusted EPS**	**18.37p**	10.66p

2023 Highlights

Financial Highlights

- Strong growth in sales, margins and profits to reach record levels for the Group. Significant growth in all geographic regions reflecting the focus on growing sales of the Group's branded products
- Group sales for 2023 grew by 40% to £89.6 million (2022: £64.1 million)
  - ➢ EU revenue increased by 60.5% to £45.1 million (2022: £28.1 million)
  - ➢ UK revenue increased by 17.6% to £32.4 million (2022: £27.6 million)
  - ➢ US revenue increased by 36.8% to £7.3 million (2022: £5.3 million)
- Gross profit margin increased to 39.9% (2022: 36.4%)
- EBITDA increased 74% to £20.4 million (2022: £11.7 million)
- Profit before tax was up by 136% to £18.1 million (2022: £7.7 million)
- Earnings per share up 123% 18.1p (2022: 8.1p)
- Cash of £9.1 million at 31 December 2023 (31 December 2022: £5.9 million), with no debt
- Recommended final dividend of 6.0 pence per share (2022: 4.5 pence per share), bringing the total dividend for the year to 9.0 pence per share (2022: 7.1 pence per share), an increase of 27%

Operational Highlights

- Sales of the Group's branded products increased by 47% to £84.8 million (2022: £57.7 million) driven by the Group's lead brand W7 increasing by 64% to £57.4 million (2022: £35.0 million)
- Direct online sales continue to accelerate, with an increase of 121% in Group e-commerce sales in 2023 to £6.2 million, accounting for 6.9% of Group sales (2022: £2.8 million, 4.3% of Group sales)
- Successful launch of W7 product in an initial 71 Superdrug stores
- Following a successful trial in 20 New Look stores in 2022, W7 product was rolled out to a further 200 stores in 2023
- Significant further expansion in Europe, the largest sales region for the Group, for both the W7 and Technic brands including with Normal, Etos and Wibra
- W7 launched in 100 Watsons stores in the Philippines in 2023

Post-Period End Highlights

- Continued strong trading in Q1 2024, with unaudited Group sales for the three months to 31 March 2023 of £23.5 million an increase of 28% on the same period in 2023 (3 months to 31 March 2023: £18.4 million)
- Margins in Q1 were robust and better than those achieved in the full year 2023
- Maintaining a strong balance sheet, with no debt. Cash balances as at 2 April 2024 totalled £7.5 million after investment in a significant increase in stock to satisfy expected demand later in the year (31 March 2023: £8.5 million)
- Continuing brand sales momentum being seen in 2024, both internationally and the UK, including:
  - ➢ In the US:
    - – Q1 2024 expansion into CVS in the US already implemented, expanding the W7 range stocked and roll-out to a further 387 stores
    - – Significant Christmas order received from Walmart in the US, for W7 and Chit Chat product and in discussions to stock the Group's all year round product
    - – Significant expansion planned with Five Below in the US during H1 2024, including the stocking of an increased range of W7 product in all 1544 of their stores, with a further 225+ Five Below stores expected to open in the next 12 months stocking W7 product
  - ➢ In the UK:
    - – In March 2024, a full range of Technic products was launched in an initial 202 Morrisons stores in the UK
    - – Expansion to a further 100 Boots stores during April 2024 with additional W7 products stocked in existing and newly added stores
    - – Further rollout with Superdrug planned for July 2024, into a further 63 stores, taking the number of Superdrug stores served to 134, and an increase in the products stocked across all these stores
  - ➢ Further range and store expansions planned with other existing customers including Etos, Normal, Tesco, The Range and Wibra, together with launches with a number of significant new customers

"A year of significant achievement."

Chairman's Statement

During 2023 Warpaint has continued to grow in all its main markets and, notwithstanding a continuing volatile economic environment, the continued execution of Warpaint's business strategy and model has again enabled the delivery of a very strong performance. I would like to thank my colleagues on the board and all of the Warpaint team for their dedication and exceptional efforts in achieving this performance.

During the year, we continued our strategy to concentrate on increasing our presence in larger retailers globally, together with growing direct online sales. This focus on larger customers, doing more business with them and expanding the number of large retailers stocking the Group's products is reflected in the Group's results and provides a strong platform for the future.

Trading has continued to be strong in the first quarter of 2024, with the Group enjoying record quarterly sales, 28% ahead of the same period in 2023. We expect demand to remain buoyant and for sales to continue to grow, despite continuing global uncertainties.

Results

2023 was again a year of significant achievement, with the Group delivering record sales and profits.
Profit before tax was £18.1 million (2022: £7.7 million) on revenue of £89.6 million (2022: £64.1 million) with basic earnings per share of 18.1p (2022: 8.1p).

The Group continues to ensure inventory levels are appropriate to allow on-time delivery for customers and to service the anticipated growth in demand, with inventory at 31 December 2023 increasing to £28.0 million (31 December 2022 £18.7 million). The balance sheet remains strong, with cash at 31 December 2023 of £9.1 million (31 December 2022: £5.9 million) and the Group is debt free.

Dividend

In accordance with the Group's progressive dividend policy, the board is pleased to recommend an increased final dividend of 6.0 pence per share which, if approved by shareholders at the annual general meeting ("AGM"), will be paid on 5 July 2024 to shareholders on the register at 14 June 2024. The shares will go ex-dividend on 13 June 2024.

During the year, an interim dividend of 3.0 pence per share was paid on 24 November 2023, bringing the total dividend for the year to 9.0 pence per share (2022: 7.1 pence per share).

Board

On 1 January 2024, we welcomed Sharon Daly and Indira Thambiah to the board as independent non-executive directors, following a thorough search process. They both have considerable experience on the boards of public companies in the consumer sector and they are already adding considerable value. On appointment they both joined the Company's audit and remuneration committees and I stepped down from both committees at the same time.

Annual General Meeting

The Company's AGM will be held at the Company's offices at Units B&C, Orbital Forty Six, The Ridgeway Trading Estate, Iver, Bucks, SL0 9HW on 26 June 2024 at 10.00 a.m. and we look forward to welcoming those shareholders who are able to attend in person.

Summary and Outlook

I am very pleased with the Group's strong performance in 2023 and that this has continued into 2024, with the Group having record first quarter sales. This reflects the delivery of Warpaint's consistent and focused strategy. This strategy is fully reviewed by the board annually and the board works closely with the executive directors and management to ensure that it is implemented. The key to our growth has been, and will continue to be, expanding our presence in large retailers globally, by growing our sales with existing customers, entering into relationships with new ones and increasing our online presence.

Notwithstanding the continuing volatile economic environment and challenges that face our customers, I am optimistic that the strong performance we have seen in 2022, 2023 and now into 2024 will continue and that we have the right offering and strategy in place to continue to deliver profitable future growth.

Clive Garston
Chairman
23 April 2024

"I am again delighted with the Group's performance."

Chief Executive's Statement

2023 was a very good year for Warpaint and the positive momentum has continued into Q1 2024. In 2023, Group sales increased by 40% to £89.6 million, reaching a new record level for the Group, with significant growth seen in all geographic regions. These sales were achieved at an increased gross margin of 39.9% (2022: 36.4%) and resulted in a reported profit before tax of £18.1 million (2022: £7.7 million). Gross margin is being maintained and has grown in Q1 2024.

Our strategy of producing a wide range of high-quality cosmetics at affordable prices remains our key focus, with benefits seen from customers transferring to more value-oriented brands, such as those produced by the Group, and an increasing recognition of the Group's brands globally. The Group is growing sales with our existing customers, both through increasing the number of product lines stocked and the number of outlets served, together with winning new customers with significant sales footprints. Growing direct online sales also remains important and these more than doubled from £2.8 million in 2022 to £6.2 million in 2023.

In 2023, the Group continued to concentrate on its core W7, Technic, Body Collection, Man'stuff and Chit Chat brands and the production of a limited number of profitable white label products for major high street retailers. In 2023, sales of the Group's branded products accounted for 95% of revenue (2022: 90%).

The Group's global market share remains modest, and I believe we are very well placed with our high-quality focused offering to see significant further growth.

W7

The Group's lead brand is W7, with sales in 2023 increasing by 64% to £57.4 million, accounting for 64% of total Group revenue (2022: £35.0 million/55%).

In the UK, W7 revenue was up 33% year-on-year, representing 30% of W7 sales in the year (2022: 37%), as stronger sales growth was generated in regions outside of the UK. W7 revenue in the UK grew through increased sales into many of the Group's larger customers, including Tesco and Boots. W7 sales in the UK also received a further boost with a successful launch in an initial 71 Superdrug stores, with a roll-out into a further 63 stores planned for July 2024. Additionally, following a successful trial in 20 New Look stores in 2022, W7 product was rolled out to a further 200 stores in 2023.

The strongest growth in 2023 was again seen in continental Europe, with sales increasing by 95% year-on-year, and continental Europe remaining the largest sales region for W7 branded products in the year, accounting for 53% of W7 sales. The Group's post-Brexit fulfilment strategy is enabling products to enter the EU without issues, and the growth in 2023 was driven by both the range of European customers served, including a launch into Etos and the expansion in the number of outlets for certain larger customers, particularly with Normal.

In the US, W7 sales grew by 43% in 2023 compared to 2022, and accounted for 11% of overall W7 sales, with the Group benefiting from the increased number of customers and outlets in the US.

In the rest of the world, W7 sales increased by 65%, but remain a modest proportion of overall W7 sales at 6%.

We believe that W7 has a compelling brand proposition and will continue to benefit from consumers wanting a high quality, on trend, but excellent value-for-money product.

Technic

Sales of branded Technic product in 2023, which includes products sold under the Technic, Body Collection and Man'stuff brands, increased by 21% to £27.5 million, representing 31% of total Group revenue (2022: £22.7 million/36%).

In 2023, UK revenue was 44% of Technic's total sales, increasing 13% year-on-year, driven by increased sales of Technic and Body Collection branded products to the retailer Bodycare and the launch in April 2023 of a range of 158 Technic products into an initial four Asda superstores on a trial basis before a wider rollout, planned for 2024.

Sales of the Technic brand also grew strongly in continental Europe during the year, accounting for 49% of Technic's sales, an increase of 20% on 2022, driven by both increased product being sold in existing customers stores, and the launch into new customers, including significant expansion with the Dutch retailer, Wibra.

Sales for the Technic brand outside of the UK and Europe accounted for 7% of Technic sales (2022: 7%). In the US, sales increased by 23% and by 37% in the rest of the world, albeit the sales were small in these regions in the context of the Group as a whole, being approximately 2.4% of total Group revenues.

Building on the successful sales of W7 branded product through Amazon, a Technic brand store was launched on Amazon.co.uk in January 2023, a number of key Technic lines were launched on Amazon.com in Q2 2023 and on continental European Amazon sites later in Q3 2023.

The Technic business also produces and sells white label cosmetics for several major high street retailers. Such opportunities are assessed on a case-by-case, based on the return they can deliver, and accounted for 2.5% of Group revenue in 2023 (2022: 4%).

Close-out

Close-out sales are no longer a core focus, although the Group will take advantage of profitable close-out opportunities as they become available. Close-out revenue represented 2.8% of overall Group revenue in 2023 (2022: 5.9%). Whilst not core, this side of the business continues to provide a profitable source of intelligence in the colour cosmetics market and access to new market trends.

e-Commerce

In 2023, the Group continued to drive direct online ("D2C") sales, a strategy that started in 2020. As a proportion of Group revenue, D2C sales increased to 6.9% in 2023 (2022: 4.3%), having grown from £0.5 million in 2020 to £6.2 million in 2023 (2022: £2.8 million). While growing these online sales, the focus remains on achieving a similar net margin to the Group's sales through traditional physical outlets.

Sales volumes continue to grow through the W7 and Technic brand own websites, as well as through Amazon in the UK, EU (predominantly Germany, Italy and Spain) and the US. The Group also has official W7 brand stores on Taobao Mall (Tmall), the most visited B2C online retail platform in China and Xiaohongshu (Red), one of China's foremost social media, fashion and luxury shopping platforms, which continue to perform well and enjoyed significantly increased sales volumes in 2023.

D2C sales continue to perform strongly, up 41% in Q1 2024 compared to the same period in 2023.

New Product Development

New product development ("NPD") continues to be core to the Group's proposition to provide new products that are exciting, on trend, fast to market and that meet the consumers' evolving tastes. During 2023, the NPD team continued to develop a strong pipeline of customer-focused new products, working with around 25 manufacturing partners, in China, elsewhere in the Far East and in Europe, that can provide high quality products quickly, at very competitive prices, and meet our legal and ethical compliance requirements, together with ensuring continuity of delivery. This process is supported by the Group's Hong Kong-based sourcing office and its mainland China-based subsidiary, with local employees able to source new factories and oversee quality control and ethical practices.

The Group's cosmetic products are 'cruelty free' and are not tested on animals irrespective of where the products are being supplied. The Group supports cruelty free alternatives to animal testing to become compulsory and animal testing overall to cease globally. Warpaint proudly displays the PETA company logo on its products and its commitment to the PETA 'Beauty without Bunnies program' covers all brands within the Group.

Environmental impact

Warpaint is very focused on the environmental impact of its products and is committed to becoming an industry leader for sustainable products and packaging. The Group is proud to be associated with Planet Mark, which provides a clear framework for businesses to measure their carbon reporting through certification. As a member of Planet Mark, the Company is committed to implementing carbon reduction strategies, staying ahead of legislation and risk mitigation, and eliminating greenwashing through effective and transparent communication. Alongside the ways our team members operate in the workplace and wider communities, and the efforts of product teams in ensuring the most recyclable materials and least plastic consuming designs are put into production, Planet Mark forms a key part of the Group's sustainability agenda.

The Group has removed all unrecyclable plastics from the outer packaging of its gifting products and is progressing well on the journey of removing unrecyclable plastics from all year-round products. The Group's product packaging therefore uses paper and cardboard wherever practicable, enabling the Group, the wholesaler and end user to recycle the waste effectively.

All branded products across the Group are being manufactured vegan friendly and without parabens. No heavy metals such as TBTO (preservative) and other ingredients of concern are added to products and all raw materials comply with the strict regulations applicable in the UK, EU, US, Canada and other markets in which the Group operates.

Marketing and PR

During 2023, the Group's marketing, PR and social media resources were further expanded to ensure our marketing programmes remain fresh, innovative, focused on customer loyalty and showcasing our products to new potential consumers. The Group has a particular emphasis on social media using brand ambassadors, influencers and make-up artists. As part of an expansion of resources during 2023, we now have individuals dedicated to each of the main social media platforms to ensure maximum benefit is gained in these areas.

Chief Executive's Statement (continued)

Strategy

On an annual basis the board reviews and appropriately adapts its three-year strategic plan for the business based on consumer insight, market data, experience and the Group's aims. This is targeted by year, measured, monitored and reviewed as part of the board's on-going business throughout the year. The strategic plan has been updated in January 2024, forming the basis of the Group's focused activity through to 2026. The plan is developed to drive shareholder value and has defined targets for sales by the six key pillars below, EBITDA, earnings per share and cash generation with a particular emphasis on driving incremental EBITDA growth.

The strategic plan comprises six key pillars:

1. Develop and build the Group's brands

The Group ensures that everybody within the business has crystal clarity of the positioning of the Group's portfolio of brands; that there is a clear hierarchy of core brands; that close-out continues to reduce as a proportion of sales and the Group delivers quality new product development, which remains a crucial part of the Group's activity. It is essential to provide great new product that is on trend, fast to market and meets the consumers' evolving tastes. A healthy pipeline of new products is the continual focus of our NPD team who are also developing category extensions where appropriate to the brand and gifting sets.

2. Develop and nurture the current core business

While a major objective of the Group is to continue to develop and grow the presence of the Warpaint brands beyond their existing customer base, there is still significant potential to be realised and further distribution gains to be made in the current customer base, and the Group is committed to ensuring this potential is maximised. The Group is focused on ensuring there is a clarity of product offering to each customer segment and to supporting its customers with relevant new products; by using appropriate marketing and innovative merchandising solution to draw consumers into customer stores and by enhancing the customer offer by cross selling the Group's brands and category extensions for example accessories, body mists, gifting and skin care where appropriate.

3. Grow market share in the UK

The Group continues to focus on increasing the presence of its brands across channels in which our consumers shop, to increase accessibility and drive profitable market share growth. As a result of this strategy, the W7 brand successfully launched into Superdrug in 2023 with more stores being activated in 2024, continues to grow in Tesco, where distribution gains across all store formats is successfully being driven, and is gaining greater space and distribution in Boots. At the same time the Technic brand is launching a range of product into Morrisons. The Group continues to have active discussions with other major retailers who are currently in channels that the Group is yet to materially supply. The expansion of the UK customer base is a key aim of management, as the business continues to capitalise on consumers and retailers across all sectors who are increasingly looking to provide quality products to their customers at affordable prices. For example, following a successful a trial, W7 rolled out into a further 200 New Look stores in mid-2023.

4. Grow market share in the US and China

The US and China continue to provide a major growth opportunity for the Group. In the US, the Group has significantly increased its management and selling capability in 2023. A compelling core product range for the US has been established with minimum margin requirements. The business is focused on targeted customer initiatives that have gained both gifting and all-year-round listings with major retailers across key channels. For example, following a successful Christmas gift launch in 2022, W7 gained access for a selection of all-year-round products with CVS into 186 stores in 2023, with distribution gained into a further 387 stores in February 2024. In China, the Group conducts business locally through its Chinese subsidiary. We are also continuing to register products for sale in China in order to grow our total offering and increase sales. This has led to the sales of W7 products via W7 branded storefronts on on-line marketplaces.

5. Grow online sales profitably

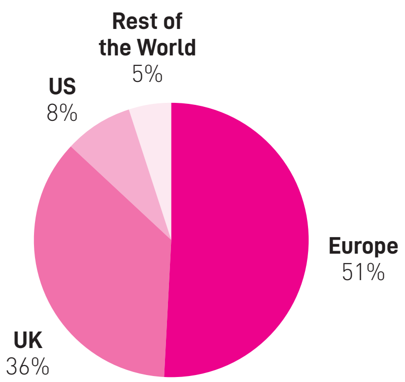
The Group aims to grow and maximise profitable sales across the Group's D2C channels. As well as continuing to sell on the businesses' own websites and developing its own consumer community, plans continue to be executed to develop sales across Amazon platforms. W7 stores have been launched in the UK, US, Italy, Germany and during 2023 and are fulfilled by Amazon. Further on-line sales platforms and geographies continue to be evaluated and, where profitable opportunities are identified, launched over the course of the three-year plan. The first of these is planned to be France in H1 2024. The Group continues to develop and build its brands by utilising brand ambassadors, influencers and make-up artists to engage actively with its target audience. The Group aims to ensure that consumers are adequately inspired and educated on how the Group's products can be used to experiment and achieve different looks. Developing the social media strategy also directly impacts the Group's online sales strategy.

6. Improve environmental performance and sustainability

The Group recognises consumers', customers' and our own requirement to reduce our environmental impact. The business has already identified and implemented a number of initiatives to reduce our environmental footprint via reduced shipping and road mileage; removing plastics where possible from packaging and improving recyclability; removing parabens from ingredients and ensuring all products are manufactured cruelty free. Further initiatives have been identified and targeted with the aim of being implemented across the course of the three-year plan. Further information is contained within the ESG section of this report.

Customers & Geographies

The largest markets for sales of our Group brands are in continental Europe and the UK. In 2023, our top ten customers represented 69% of revenues (2022: 60%).



UK

In 2023, revenue from the UK was £32.4 million (2022: £27.6 million), an increase of 18%. The UK accounted for 36% of Group revenue in 2023 (2022: 43%). Growth in the UK was seen by both our lead W7 brand, which increased by 33%, and the Technic brand, which increased by 13%.

The top ten UK Group customers accounted for 66% of UK sales (2022: 75%). In recent years, there has been a move away from selling the Group's products through discount retailers to more traditional 'full price' retailers. Particular highlights in 2023 were the successful launch of W7 product in an initial 71 Superdrug stores, together with an expansion with New Look - after an initial trial of W7 product in 20 New Look stores in 2022, the Group rolled out W7 products to a further 200 New Look stores during 2023.

We are further expanding in the UK during 2024, including the launch of a range of 96 Technic products into an initial 202 Morrisons stores in March; expanding into a further 100 Boots stores in April, with 82 W7 products stocked in each store; and a rollout into an additional 63 Superdrug stores planned for July, together with additional product being stocked.

Europe

In 2023, Group revenue from Europe increased by 61% to £45.1 million (2022: £28.1 million), accounting for 52% of Group branded sales, and 51% of overall Group sales in 2023 (2022: 44%). The largest markets for the Group in Europe are Denmark, France, the Netherlands, Spain and Sweden, with strong growth being driven by increased sales to certain existing customers that are expanding strongly, supported by the Group.

US

Revenue from the US, in sterling terms, increased by 38% in 2023 to £7.3 million (2022: £5.3 million) and grew by 44% in US dollar terms. This equated to 8% of overall 2023 Group sales (2022: 8%). 99% of US revenue was from the sale of Group brands in 2023 (2022: 97%, 2021 89%) as minimal close-out activity was undertaken, in line with the Group's strategy to focus on its own brands.

A good performance continued from the Group's major customers in the USA, including CVS, Five Below, H-E-B, Macy's Backstage, Nordstrom Rack, Sallys and TJ Maxx.

With the US market being more than 10 times the size of the UK market, the US remains a key strategic focus for the Group. In 2023, we invested in the expansion of our US team, which we believe will provide the Group with a good platform to leverage the opportunity presented in this market. The benefits of this investment are already being seen. In Q1 2024 the Group expanded the range of W7 products stocked with CVS and rolled out to a further 387 stores. A significant Christmas order has been received from Walmart for W7 and Chit Chat product and the Group are in discussions to stock the Group's all year round product in Walmart. Significant expansion is also planned with Five Below in H1 2024, including the stocking of an increased range of W7 products in all of their stores.

Rest of the World

Revenue from the rest of the world increased by 57% to £4.8 million (2022: £3.1 million), accounting for 5% of overall Group sales (2022: 5%). Australia and China remain the focus, and other countries where profitable sales in appropriate volumes can be made. In 2023 this included W7 being launched into 100 Watsons stores in the Philippines.

The Group has no suppliers in Russia or Ukraine and has had no significant historic sales to either country.

Chief Executive's Statement (continued)

Summary and Outlook

I am again delighted with the Group's performance in 2023. We have continued to significantly grow sales and these sales have been achieved at a record gross margin. We continue to generate good growth both in the UK and internationally. Our robust supply chain and distribution network, coupled with maintaining appropriate levels of stock, ensures that we are able to supply our retail customers on time with product that their customers are demanding.

Trading in 2024 has started strongly with a record first quarter, achieving revenue for the first three months of 2024, 28% ahead of the same period in 2023, with sales increases seen across all of the Group's brands, both in stores and online, and at an improved gross margin to that achieved for 2023 as a whole.

We will update further on our progress later in the year and with significant opportunities for further growth, including those already secured with both existing retailers and new ones, together with ongoing discussions with major retailers globally, I am confident that the Group will continue to perform well for the remainder of the year and beyond.

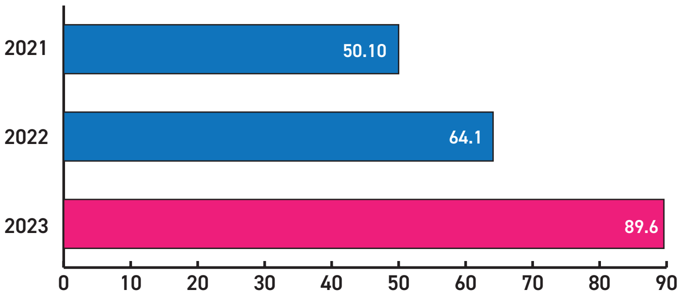
Sam Bazini
Chief Executive Officer
23 April 2024

Chief Financial Officer's Review

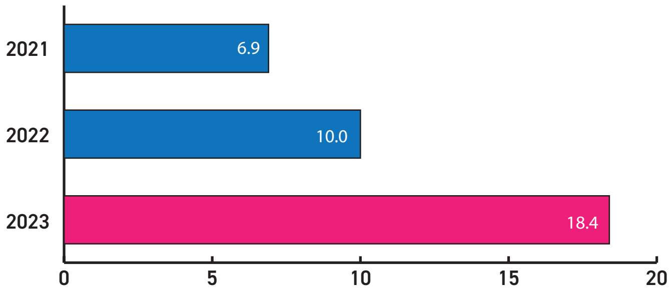
2023 was another record year for the Group and significantly ahead of 2022, with strong growth in revenue, margins and profit before tax. Group revenue increased in the year by 40% and adjusted profit before tax increased by 84%. Gross margin improved in the year by 3.5% to 39.9%. This is the third year running that gross margin has improved. The Group continues its strategy of building the W7 and Technic brands in the UK and internationally, and we remain focused on margin, generating cash and remaining debt free.

The Group monitors its performance using a number of key performance indicators which are agreed and monitored by the board.

Revenue (£m)
2023: £89.6 million +40%



Adjusted profit before tax* (£m)
2023: £18.4 million +84%



*Adjusted numbers are closer to the underlying cash flow performance of the business which is regularly monitored and measured by management, the adjustments made to the statutory profit before tax are as follows:

£m	2023	2022
Statutory PBT	**18.12**	7.69
Exceptional Items	nil	0.15
Amortisation of acquired intangibles	0.19	2.00
Share based payment	0.13	0.19
***Adjusted PBT**	**18.44**	10.03

Exceptional items include £nil (2022: £0.15 million for content use and associated legal fees).

Headline results, shown below, represent the performance comparisons between the consolidated statements of income for the years ended 31 December 2022 and 31 December 2023.

Chief Financial Officer's Review (continued)

Revenue

Group revenue for 2023 increased by 39.9% to £89.6 million (2022: £64.1 million).

Company branded sales were £84.8 million (2022: £57.7 million). Our W7 brand had sales in the year of £57.4 million (2022: £35.0 million), while our Technic brand contributed sales of £27.5 million (2022: £22.7 million).

In 2023, sales of white label cosmetics were £2.3 million (2022: £2.6 million). The white label business is traditionally cost competitive and is only undertaken based on commercial viability, in particular margin.

Revenue for close-out business was £2.5 million (2022: £3.8 million) with the reduction of 33.1% being in line with our strategy to reduce the Group's focus on close-out opportunities.

In the UK, revenue increased by 17.6% to £32.4 million (2022: £27.6 million). International revenue increased by 56.7% to £57.2 million (2022: £36.5 million). In Europe, sales increased by 60.5% to £45.1 million (2022: £28.1 million), while in the US sales increased by 36.8% to £7.3 million (2022: £5.3 million). In the rest of the world Group sales increased by 56.6% to £4.8 million (2022: £3.1 million).

E-commerce sales were up by 121% to £6.2 million, now representing 6.9% of Group revenue (2022: £2.8 million/4.3%).

Product Gross Margin

Gross margin was 39.9% for the year compared to 36.4% in 2022. This is the third year in a row that gross margin has improved incrementally. New product development, sourcing product from new factories and falling freight rates in the year have all helped achieve a gross margin improvement in 2023, without the need for an inflationary price increase to customers at the start of the year.

During the year, 95% of sales (2022: 90%) were of Group brands, which overall achieve a higher margin than close-out sales and retailer own brand white label sales. Group brand sales include gifting and all-year-round colour cosmetics. Gifting is sold at a more competitive margin than all-year-round colour cosmetics. Gifting sales in 2023 were similar to 2022 whereas all-year-round colour cosmetics grew significantly in the year, both in physical retail and through online channels. This change in product mix in the year also helped to improve gross margin.

We remain focused on improving gross margin where possible in all our businesses and are working with our Asian business units to execute this. Margin is also benefiting from the increased scale of our orders placed with existing suppliers as the business grows. To counter any currency pressure, we continue to move production to new factories of equal quality to retain or improve margin and have a natural hedge from our US dollar revenue which continues to grow.

At 31 December 2022, forward foreign exchange contracts allowed for the purchase of US$39 million at an average exchange rate of US$1.1997, this helped to protect our margin in 2023. During 2023, we purchased forward foreign exchange contracts to help protect the Group's gross margin in 2024. At 31 December 2023, forward foreign exchange contracts were in place for the purchase of US$42 million at an average exchange rate of US$1.2537. Since the start of 2024, we have purchased more forward foreign exchange contracts to further help protect our gross margin.

The currency options we have for the current year, new product development, sourcing, increased selling of the Group brands, and growing sales in the US, will all help to protect our margin in 2024.

Operating Expenses

Total operating expenses before exceptional items, amortisation costs, depreciation, foreign exchange movements and share based payments, increased at a lower rate than the growth in sales, increasing by 28.8% to £14.7 million in the year or 16.4% of revenue (2022: £11.4 million/17.8%).

The absolute increase of £3.3 million in the year was necessary to support the growth of the business and was made up of increases in wages and salaries, the spend on PR and marketing as e-commerce sales continue to grow, travel costs, legal and professional fees, the charge for bad debts, bank charges, the cost of a larger sales team based in the US and a small increase in office costs in relation to utility charges.

Warpaint remains a business with most operating expenses relatively fixed and evenly spread across the whole year. We continue to monitor and examine significant costs to ensure they are controlled and strive to reduce them. In addition, the increased scale of the business has given the Group increased buying power.

Adjusted EBITDA

The board considers Adjusted EBITDA (adjusted for foreign exchange movements, share-based payments and exceptional items) a key measure of the performance of the Group and one that is more closely aligned to the underlying performance of the business. Adjusted EBITDA for the year was £21.0 million (2022: £11.9 million).

£m	2023	2022
Statutory profit from operations	18.48	7.97
Depreciation	0.66	0.76
Amortisation of right-of-use assets	1.11	0.97
Amortisation of intangible assets	0.19	2.00
EBITDA	20.44	11.70
Foreign exchange loss / gain	0.43	(0.13)
Exceptional items	–	0.15
Share based payments	0.13	0.19
Adjusted EBITDA	21.00	11.91

Profit Before Tax

Group profit before tax for the year was £18.1 million (2022: £7.7 million). The changes in profitability between 2023 and 2022 were due to:

£m	Effect on Profit
Sales volume growth	9.3
Margin growth	3.1
Increase in operating expenses	(3.0)
FX loss in 2023 £0.43 million (2022: Gain £0.13 million)	(0.6)
Decrease in the charge for amortisation costs on acquisition*	1.8
Other items	(0.2)
	10.4

* Acquisition costs are amortised over five years. The decrease in 2023 reflects the end of the write off periods since the purchases of Retra Holdings Limited in November 2017 and Marvin Leeds Marketing Services Inc in August 2018.

Exceptional Items

Exceptional items include £nil (2022: £0.15 million for content use and associated legal fees).

In 2022, the Group agreed a settlement regarding a dispute with a third party relating to the historic use of content on the Group's social media platforms in the period from 2018 through to early 2021. The total settlement including associated legal costs was £0.52 million, of which £0.37 million was provided for in the year to 31 December 2021. The payment and the restriction of content use will not affect the ongoing operations of the Group's businesses.

Chief Financial Officer's Review (continued)

Tax
The tax rate for the Group for 2023 was 23.3% compared to the average UK corporation tax standard rate of 23.5% for 2023. Since the acquisition of LMS, the Group is exposed to tax in the USA at an effective rate of approximately 25% and in other jurisdictions the Group operates cost centres, but these are not materially exposed to changes in tax rates.

Earnings Per Share
The statutory basic and diluted earnings per share were 18.05p and 17.98p respectively in 2023 (2022: 8.14p and 8.11p).

The adjusted basic and diluted earnings per share before exceptional items, amortisation costs and share based payments were 18.37p and 18.30p respectively in 2023 (2022: 10.66p and 10.62p).

Dividends
The board is recommending a final dividend for 2023 of 6.0 pence per share, making a total dividend for the year of 9.0 pence per share of which 3.0 pence per share was paid on 24 November 2023 (2022: total dividend of 7.1 pence per share, of which the interim dividend was 2.6 pence per share and the final dividend was 4.5 pence per share). The dividend for the year is covered 2.0 times by adjusted earnings per share.

Cash Flow and Cash Position
Net cash flow generated from operating activities was £10.4 million (2022: £8.5 million). The Group's year end cash balance increased by £3.2 million to £9.1 million (2022: £5.9 million). The cash generated was principally used to fund working capital and make dividend payments in the year.

We expect the capital expenditure requirements of the Group to remain low, however, as part of our strategy to grow market share in the UK and US there will be occasions where investment in store furniture is required to secure that business.

In 2023, £0.13 million was invested on store furniture for Superdrug, New Look and other stores (2022: £0.29 million), £0.22 million was spent on warehouse improvements, new pallet trucks and racking (2022: £0.42 million), £0.15 million was spent on new computer software and equipment (2022: £0.09 million), and £0.02 million was spent on other general office fixtures and fittings and plant upgrades (2022: £0.03 million).

As the Group continues to grow, it is both necessary and prudent to have bank facilities available to help fund day-to-day working capital requirements. Accordingly, the Group maintains a £9.5 million invoice and stock finance facility that is used to help fund imports in our gifting business during its peak season. At the year end, no invoice and stock finance remained outstanding (2022: £nil). In addition, in February 2023 the Group added a new "general purpose" facility of £3.0 million, which on renewal in March 2024 was increased to a £5.0 million facility. These facilities, together with the Group's positive cash generation and the growing cash balance held, ensure that future growth can be funded.

LTIP, EMI & CSOP Share Options

Date	Shares	Transaction	Scheme	Exercise price
6 June 2023	375,633	Exercise	CSOP	49.5p
9 October 2023	23,578	Exercise	EMI	237.5p
21 November 2023	105,262	Exercise	EMI	237.5p
4 December 2023	3,837,462	Lapsed	LTIP	254.5p
24 November 2023	641,191	Granted	CSOP	325p
24 November 2023	167,309	Granted	EMI	325p

On 6 June 2023, 375,633 of the Company's ordinary shares of 25p each that were granted under the Warpaint London plc Company Share Option Plan were exercised at an exercise price of 49.5p per share.

On 9 October 2023, 23,578 of the Company's ordinary shares of 25p each that were granted under the Warpaint London plc Enterprise Management Incentive Scheme were exercised at an exercise price of 237.5p per share.

On 21 November 2023, 105,262 of the Company's ordinary shares of 25p each that were granted under the Warpaint London plc Enterprise Management Incentive Scheme were exercised at an exercise price of 237.5p per share.

On the 4 December 2023, 3,837,462 ordinary shares of 25p each in the Company under the Warpaint London plc Long Term Incentive Plan lapsed. The shares were granted in September 2018, with an exercise price of 254.5p per share.

On 24 November 2023 CSOP share options were granted over a total of 641,191 ordinary shares of 25p each in the Company under the Warpaint London plc Company Share Option Plan. The options provide the right to acquire 641,191 ordinary shares at an exercise price of 325p per ordinary share.

On 24 November 2023 EMI (non-qualifying) share options were granted over a total of 167,309 ordinary shares of 25p each in the Company under the Warpaint London plc Enterprise Management Incentive Scheme. The options provide the right to acquire 167,309 ordinary shares at an exercise price of 325p per ordinary share.

The exercise of EMI & CSOP share options during the year had an immaterial dilutive impact on earnings per share in the period. The share-based payment charge of the EMI and CSOP share options for the year was £0.13 million (2022: £0.19 million) and has been taken to the share option reserve.

Balance Sheet

Inventory was £9.3 million higher at the year end at £28.0 million (2022: £18.7 million). The rise in inventory is a function of the growth of the business and to ensure delivery disruption is avoided for our customers. One of the Group's unique selling propositions is that it can deliver a full range of colour cosmetics to our customers, in good time all year round. Having appropriate inventory levels is vital to providing that service. The provision for old and slow inventory was £0.38 million, 1.3% at year-end (2022: £0.37 million, 1.9%). Across the Group we have worked hard in the year to sell through older stock lines, allowing for our provision for old and slow inventory to fall 0.6% in percentage terms. Our Group policy is to provide for 50% of the cost of perishable items that are over two years old. However, we remain comforted by the fact that many such items in the normal course of business are eventually sold through our close-out division without a loss to the Group.

Trade receivables are monitored by management to ensure collection is made to terms, to reduce the risk of bad debt and to control debtor days, which have improved on the prior year. At the year end, trade receivables, excluding other receivables, were £11.0 million (2022: £9.9 million), the increase on 2022 being due to the rise in sales year-on-year. The provision for bad and doubtful debts carried forward at the year-end was £0.13 million, 1.2% of gross trade receivables (2022: £0.07 million, 0.7%).

At year end, the Group had no borrowings or lease liabilities outstanding (2022: £nil), apart from those associated with right-of-use assets as directed by IFRS 16 (see below). The Group was therefore debt free at the year end.

Working capital increased by £10.7 million in the year, to £41.0 million. The main components were an increase in inventory of £9.3 million, an increase in trade and other receivables of £1.8 million, an increase in cash at the year-end of £3.2 million, and an increase in trade and other payables of £3.6 million.

Free cash flow (cash from operating activities less capital expenditure) remained strong at £9.9 million (2022: £7.7 million).

The Group's balance sheet remains in a very healthy position. Net assets totalled £46.8 million at 31 December 2023, an increase of £9.0 million from 2022. Most of the balance sheet is made up of liquid assets, inventory, trade receivables and cash. Included on the balance sheet is £7.3 million of goodwill (2022: £7.3 million) and £0.1 million of intangible fixed assets (2022: £0.3 million) arising from acquisition accounting. As at the year-end, cash totalled £9.1 million (31 December 2022: £5.9 million).

Goodwill represents the excess of consideration over the fair value of the Group's share of the net identifiable assets of acquired businesses / cash generating units at the date of acquisition. The carrying value at 31 December 2023 of £7.3 million included Treasured Scents Limited £0.5 million, Retra Holdings Limited £6.2 million and Marvin Leeds Marketing Services, Inc. £0.6 million. Management has performed the required annual impairment review at 31 December 2023 and concluded that no impairment is indicated for Treasured Scents Limited, Retra Holdings Limited or Marvin Leeds Marketing Services, Inc. as the recoverable amount exceeds the carrying value.

The balance sheet also includes £5.3 million of right-of-use assets, which is the inclusion of Group leasehold properties, recognised as right-of-use assets as directed by IFRS 16. An equivalent lease liability is included of £5.4 million at the balance sheet date.

Chief Financial Officer's Review (continued)

Foreign Exchange

The Group imports most of its finished goods from China, paid for in US dollars, which are purchased throughout the year at spot as needed, or by taking forward foreign exchange contracts when rates are deemed favourable, and with consideration for the budget rate set by the board for the year. Similarly, forward foreign exchange contracts are taken to sell forward our expected Euro income in the year to ensure our sales margin is protected.

We started 2023 with forward foreign exchange contracts in place for the purchase of US$39 million at US$1.1997/£, and the sale of €3.8 million at € 1.1340/£. During 2023 when currency rates were favourable, we purchased additional US dollar forward foreign exchange contracts and spot rate amounts to cover our total US dollar requirement for the year.

In addition, during 2023 we purchased forward foreign exchange contracts to help protect the Group's gross margin in 2024. At 31 December 2023, forward foreign exchange contracts were in place for the purchase of US$42 million at an average exchange rate of US$1.2537/£, and the sale of €3.8 million at €1.1447/£.

The Group has a natural hedge from sales to the US which are entirely in US dollars, in 2023 these sales were US$9.1 million (2022: US$6.3 million).

Together with sourcing product from new factories where it makes commercial sense to do so, new product development, and by buying US dollars when rates are favourable, we are able to mitigate the effect of a strong US dollar against sterling.

Section 172(1) Statement

The directors are well aware of their duty under section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the Company (the "Section 172 (1) Matters").

Induction materials provided on appointment include an explanation of directors' duties, and the board is regularly reminded of the Section 172(1) Matters, as a board meeting agenda item.

Further information on how the directors have had regard to the Section 172(1) Matters can be found in the Stakeholder Engagement and Section 172 Report. This information forms part of the strategic report and has been approved for issue by the board on 24 April 2024.

Neil Rodol
Chief Financial Officer

23 April 2024

Risk Management

Warpaint is exposed to a variety of risks that can have financial, operational and regulatory impacts on the Group's business performance. The board recognises that creating shareholder returns is the reward for taking and accepting risk. The effective management of risk is therefore critical to supporting the delivery of the Group's strategic objectives.

Currency / Foreign Exchange ("FX")

Due to the Group's goods being manufactured outside of the UK and its extensive export business, it both generates revenues and incurs manufacturing costs in foreign currencies. As a result, the Group is exposed to the risk that adverse exchange rate movements cause the value (relative to its reporting currency) of its revenues to decrease, or costs to increase, resulting in reduced profitability. Management continues to review the Group's hedging policy to ensure it remains appropriate while it increases its international business. There is a Group FX committee made up of senior management who communicate regularly. Whenever possible foreign currency is purchased (using forward foreign exchange contracts) at, or as close as possible to, the budget rate to cover the annual needs of the business.

Reliance on Key Suppliers

In 2023, one key supplier from China was responsible for approximately 19% (2022: 22%) of the Group's brand ranges of colour cosmetics. This is the first time since listing on the AIM market as a quoted company that the key supplier percentage has fallen below 20% as we continue to source from new suppliers. If there were some catastrophic event that reduced or stopped deliveries from this key supplier, management are able to place orders with other existing suppliers. However, this would take several months to implement and such an event would therefore have a material adverse effect on the Group's financial position, results of operations and future prospects. Management retain close relations with suppliers with relatively short lead times, and the Group typically holds four to six months of inventory at any one time, nevertheless the sourcing of new suppliers in a wider geographic location is ongoing.

Product Liability

All products are manufactured in facilities approved by relevant authorities. The ingredients in each product are compliant with and meet the relevant standards required by the markets to which the products will be sold into. There is however always the risk that an end user could have an allergic or other reaction to an individual product leading to the possibility of compensation claims and potentially damaging the good reputation of the Group's brands. Management has every colour cosmetic ingredient independently checked by a qualified chemist for compliance with UK, EU, US and when necessary any other relevant legislation, and maintain adequate product and public liability insurance to ensure that any claims have little impact on the Group's profitability.

Significant Customers

The Group has one customer in Denmark with over 675 stores across Denmark, Norway, France, Sweden, Finland, Portugal, Spain and Netherlands. In 2023 this customer represented 25.9% (2022: 17.5%) of Group revenue. We currently have an excellent working relationship with this customer and significant awareness of Warpaint's brands has been built up by this customer. The board believes that, should the customer decide not to sell our brands, a large amount (if not all) of the existing business will be taken up by other retailers in the countries in which the customer operates.

Location

The Group has the majority of its operations and assets split across three locations in Iver, West Drayton and Silsden in the UK; if a fire were to befall any of the Group's premises, a significant amount of assets might be destroyed or damaged and – although the Group has insurance cover in place – the Group's business, financial results and prospects might be negatively affected by such an event. Fire alarm systems are tested weekly, smoke detectors inspected quarterly, fire extinguishers tested annually, and trained fire marshals are onsite. Staff have regular fire drills and fire risk assessments are carried out to ensure compliance with fire regulations.

Brexit

From 1 January 2021, new terms of trading with EU customers have been in place using internationally recognised INCO terms. There is now an extra layer of cross border compliance and paperwork required which the Group was well prepared for, having taken appropriate advice from customs experts and shippers. The Group has made good use since the start of 2021 of its wholly owned subsidiary Warpaint Cosmetics (ROI) Limited in the Republic of Ireland, specifically to help protect against any UK/EU cross-border disruption, and to serve European customers from a Euro Hub to provide an alternative supply route.

Risk Management (continued)

Cyber Attacks

There is an increasing risk that cybercrime will cause business interruption, loss of key systems, loss of online sales, theft of data or damage to reputation. The Group regularly reviews and invests in the development and maintenance of its IT infrastructure, systems, and security. There is in place disaster recovery and business continuity plans that are tested annually. The Group has a password policy in place and utilises Multifactor Authentication (MFA) before access is granted to its systems and data.

Covid-19 Type Pandemic

Covid-19 or another similar virus pandemic will cause major disruption to the business. Staff will be absent either through illness or from isolation measures, the business strategy will be affected, delayed and perhaps will require reassessment, capital markets and foreign exchange markets will become volatile, and the supply chain and customer base may temporarily close down. In a pandemic situation, the Group will follow Government guidelines and enable staff to work remotely where possible, until such time that they can return to work with new workplace safety measures in place, will explore and examine liquidity continuity measures and implement business continuity plans. A committee made up of the Chief Executive Officer, the managing director of Retra and Keith Sadler, a non-executive director will be utilised to formulate and implement a Group-wide response in the event of a further pandemic or other similar disruptive event.

This Strategic Report was approved by the board on 23 April 2024 and signed on its behalf.

Neil Rodol
Chief Financial Officer

Environmental Social and Governance Report

Introduction

Warpaint is committed to ensuring that its business is contributing to society in an ethical, sustainable, and well governed manner for the benefit of all stakeholders. The Group's environmental and social responsibilities are important to its long-term success, and key environmental goals have been embedded within its long-term strategy, with the aim of continually improving all aspects of the Group's environmental performance, as far as is economically feasible.

This report outlines the actions taken, business practices, and policies and procedures adopted to address the Group's environmental, social and governance ("ESG") obligations and responsibilities. These will be reviewed throughout 2024 and in subsequent years, to measure progress and to scope further objectives and outcomes to improve performance in these three important areas.

The Group's strategy is set out in the Chief Executive's Statement and further information is set out in the Corporate Governance Report and Engagement with Stakeholders and Section 172 Report.

Environment and Sustainability

As the Group reports on its environmental and sustainability impact in the financial year ended 2023, the board is proud of the progress made to date and continues to strive for a future where the planet is cared for, and value is created not only for our Company, but for the collective success of all our stakeholders.

The Group is prioritising the ESG issues that offer the greatest potential for the Group to create shared value, and the board has adopted a Sustainability Strategy focusing on four key pillars:

- **Planet:** In 2023 the Group continued to work with Planet Mark to measure and report against its Scope 1 and 2 emissions, review onsite energy, water and recycling management, and to support the development of our factory sustainability assessments. Warpaint and Badgequo have achieved a year 1 business certification with Planet Mark, demonstrating the Group's measurement of key environmental measures and have identified targets for 2024.

- **Products:** The product and packaging reduction and alternative strategy introduced in 2022 has been developed through 2023, accelerating compliance with product and packaging regulations, and rationalising the Group's packaging supply sources. The Group joined PETA's "Beauty Without Bunnies Program", helping to provide clarity to its customers and consumers that the Group's products are cruelty free.

- **People:** Warpaint's commitment to its employees remains at the forefront of its focus along with the development of corporate and community charity initiatives.

- **Performance:** The Group's progress against defined goals and targets will be measured and reported on for the year ended 2024.

Our Planet and the Environment

Planet Mark

PlanetMark

Climate change is one of today's greatest challenges, profoundly affecting all regions of the world and all sectors of society. All individuals and industries must work together to halt the climate crisis and embrace long term sustainability.

CO2 is a powerful greenhouse gas that has been proved to have the biggest impact on air pollution and global warming, and by 2050 every UK business must be net-zero by law.

The measurement of the Group's carbon footprint plays a fundamental role in creating an environmental strategy that mitigates risk and maximises the opportunities to reduce CO2 emissions and start the journey towards net-zero. As a business Warpaint is committed to reporting its progress with transparency, verifiable data and science-based methodologies to support its long-term strategy and drive improvements.

In 2023 the Group has continued its work with Planet Mark, an independent consulting group experienced in the measurement, development and communication of carbon and social data and goals which provides a sustainability certification for organisations and their products. Throughout 2023 the Group collated the necessary energy consumption, waste and water usage data to enable an initial measurement to be produced and adopted and the Group's first Planet Mark certification was obtained in Q4 2023. The Group is measured in each calendar year and the certification produced in the following year. The Group's first full year of key measurement metrics for 31 December 2022 were certified as follows:

- 761.4 tCO2e measured emissions/6.8 tCO2e per employee Comprising
- Buildings: 98.9 tCO2e
- Travel: 40.7 tCO2e
- Waste: 23.8 tCO2e
- Water: 0.4 tCO2e
- Procurement: 593 tCO2e
- Home Working: 74 tCO2e

Continuous improvement will be tracked against these key measurement metrics.

Targets and goals against these base level metrics will be further developed, monitored and communicated and disseminated throughout the Group and beyond to ensure that stakeholders are engaged and fully aligned with the Group's aims, in order that progress may be achieved.

Certification for the 2023 year is expected to be available in Q3 2024.

Environmental Social and Governance Report (continued)

SECR Streamline Energy and Carbon Reporting

The Group reports annually against the SECR Streamline Energy and Carbon Reporting ("SECR") requirements and details are set out in the Directors' Report. In prior years the intensity metric selected was based on the energy consumption per square metre of area of our sites, which was appropriate at that time. However, as the business of the Group has grown, especially in 2023, it is now considered to be more relevant and appropriate to use Group sales as the correct intensity metric, and this was 1.16kg tCO2/£mil in the year (2022: 1.40kg tCO2/£mil). The Group will now use this sales driven ratio to monitor its energy efficiency performance over time.

Our Premises and Logistics

The Group includes energy efficiency measures whenever possible in carrying out its business, and when making operational decisions. In 2023, the Group continued the upgrade of internal and external lighting to LED units throughout its main corporate and warehousing premises at Iver and Silsden. Warpaint is currently engaged in a process to install solar panels at the largest warehouse site at Iver to provide electricity throughout the year and to return any surplus energy back to the grid. At both Iver and Silsden Head Offices electric car charging points have been installed, which employees can use free of charge, encouraging them to adopt electric vehicles.

New technologies continue to be considered in order to improve the environmental performance of the Group's sites, to reduce energy consumption and improve overall energy efficiency throughout the business.

Reducing physical waste is also a key part of the Group's sustainability objectives, and progress continues to be made in ensuring that onsite recycling is easily accessible across the Group's offices and warehouses, including glass, plastic and paper recycling and Terracycle recycling boxes for cosmetic packaging. The Group's industrial waste removal programme has also been strengthened.

Warpaint continues to be mindful of its carbon footprint in the shipping and transportation of products from suppliers to the Group's warehouses and customers, seeking to minimise its carbon footprint as much as possible, for example shipping direct from China to the US for product sales there, and using air carriage only when unavoidable. The Group is encouraged by its shippers who are increasingly investing in the reduction of their own carbon footprint with the development of their own carbon friendly vessels and solutions. These shippers are utilised wherever practicable.

Most interactions with suppliers and retail customers take place online. This is encouraged wherever practicable, with travel (and particularly air travel) restricted, and customer, supplier, management and employee meetings held virtually where feasible. Face-to-face meetings are held only where this is considered necessary and conducive to a more productive relationship. This aims to reduce the environmental impact of the Group's travel and is reflected in its travel policy, which encourages essential travel only. Where air travel is deemed necessary the use of airlines that provide carbon offsetting is encouraged wherever possible.

Attendance at trade shows and exhibitions has reduced. Virtual trade shows are attended wherever possible, with only key events attended face-to-face and, where practicable, these are combined with other customer or supplier visits.

Our Products

Product Testing

The Group's cosmetic products are "cruelty free" and are not tested on animals irrespective of where the products are being supplied. The Group supports cruelty free alternatives to animal testing to become compulsory and animal testing overall to cease globally.

Beauty WITHOUT BUNNIES

The Company joined the PETA "Beauty Without Bunnies Program" in February 2023, a globally recognised programme demonstrating a commitment to PETA's Global Animal Test-Free standard. In line with this standard, Warpaint agrees that it will not conduct, commission, or pay for animal testing of any products, nor will it conduct, commission, or pay for animal testing of ingredients used in, or formulations of, such products. Warpaint commits to continue to ensure that its suppliers of ingredients do not conduct, commission, or pay for tests on any ingredients used in its products. Warpaint will continue to ensure its suppliers/manufacturers of finished products do not and shall not conduct, commission or pay for animal testing of any products.

Warpaint proudly displays the PETA company logo on our products for all new products and as packaging is updated. Warpaint's commitment to the PETA programme is Group wide and covers all brands within the Group.

Product Ingredients
All newly developed Warpaint products are manufactured vegan friendly and without parabens. Any remaining existing products that contain parabens are being reformulated upon any repeat order. The Group has a dedicated vegan range, Very Vegan.

No heavy metals such as TBTO (preservative) and other ingredients of concern are added to the Group's colour cosmetic products, and all raw materials comply with the strict regulations applicable in the UK, EU, US and Canada and other markets in which we operate.

CTPA Membership
The Warpaint Group companies are full members of the Cosmetic, Toiletry & Perfumery Association (CTPA). The CTPA is the trade association for the UK cosmetic and personal care industry, and through this membership the Group ensures it remains aware of industry news, issues, and of course regulatory compliance both here in the UK and globally. The Group has employees sitting on both the Compliance and Regulatory Committee – providing advice, on-going support and guidance on all regulatory and compliance matters regarding the placing on the market of cosmetic products in the UK and EU, and the Scientific Committee – providing advice, on-going support and steer on all scientific matters pertaining to the safety and integrity of cosmetic ingredients and technical aspects of manufacturing cosmetic products.

Responsible Sourcing and Manufacturing
"Good Manufacturing Practice Certificates" are provided by suppliers for all of the factories used in the manufacture of the Group's goods. The Group's main suppliers also produce for many international brands, and additional comfort is taken from the public ethical and sustainability stance around the world of these brands. The Group's suppliers are encouraged to share the results of their BSCI and Sedex audits when they have taken place and, for all its branded products the Group has adopted a vendor assessment policy that includes ethical and sustainability criteria.

Warpaint is committed to ethical and responsible sourcing practices aligned with international standards and protocols for human rights, worker rights, environmental and human health and safety. In support of this commitment, the Group seeks to enhance its responsible and ethical sourcing practices to better address the risks and challenges in an increasingly complex global supply chain.

Sustainable Products and Packaging
The Group is committed to becoming an industry leader for sustainable products and packaging.

All unrecyclable plastics have now been removed from outer gifting packaging, and the Group is progressing well with its journey of removing unrecyclable plastics from the packaging of all- year-round products as well.

The Group has a robust strategy to eliminate all unrecyclable plastics as per the 'UK Plastic Pack', an accredited body who drives improvements to industry standards through DEFRA (UK Department for Environment, Food and Rural Affairs). The Group has also changed certain products into alternative fully recyclable materials, and has proactively removed the majority of plastics from most outer packaging, aiming to use paper and cardboard product packaging wherever practicable. This enables the Group, its customers and end consumers to recycle the waste effectively.

Some Group products are already plastic free, and there are plans in place to change to sustainable FSC, virgin or recycled packaging where feasible, with ambitions to become one of the market leaders in this area.

The use of plastics in product casings has previously been challenging to remove, but with material developments and understanding, the Group is actively working on testing and sampling new materials. Where the use of plastic is unavoidable, recyclable packaging will be used wherever possible. By providing clear instructions on our product labelling, consumers will know how to dispose of the packaging in sustainable ways. The Group is encouraged by the progress made by its product teams in building processes to challenge the plastics in product casings and is equally encouraged by the support received from suppliers in the move to more recyclable packaging. This will continue to be challenging until the most recyclable materials become available at an appropriate price for the mass market. In the meantime, a large proportion of the Group's NPD in 2023 has passed through our changed protocols and this will continue into 2024. Technic NPD processes also include an accompanying packaging development protocol alongside the development of the products themselves, to ensure that recyclable packaging is considered with all NPD, wherever possible.

Management is confident that current unrecyclable plastics within the Group's products will be replaced with the most reusable and recycled plastic materials available, ensuring the achievement of Government Guidelines for brand and producer responsibilities. Once this development is complete, these will be implemented to reduce and ensure recyclability for these plastic products before the new Extended Producer Responsibility ("EPR") regulations come into force in the near future. The NPD team is actively engaging with DEFRA on the introduction of the new EPR regulations, participating in seminars and surveys, wherever possible.

The Group's dedicated Packaging and Sustainability Lead is responsible for seeking sustainable solutions for

Environmental Social and Governance Report (continued)

products and packaging, aligned to our environmental responsibilities and goals. This individual is also responsible for ensuring Group compliance with the increasing regulation in this area, enabling its mission to provide an extensive range of high-quality cosmetics at an affordable price and to grow the business for the benefit of our stakeholders can be continued.

The Group seeks to ensure no product is wasted, and for example in conjunction with Tesco, any W7 products remaining in store after short term promotions are donated to be placed in the food bank collection points, which are positioned at the front of all large Tesco stores.

Any Technic and Body Collection excess stock is also donated to local hospital staff and charities such as the "Look Good Feel Better" cancer charity, having a positive social impact on the community as well as supporting waste reduction.

The Group has introduced virtual cosmetic product testers for a number of core W7 lip, face and eye products. These are more hygienic than actual product testers, provide cost savings and are more eco-friendly.

Social Impact

Warpaint aims for inclusivity with its products and encourages and promotes diversity, equality of pay and opportunity across the Group. The health, safety and wellbeing of our workforce is of paramount importance, and we seek to support and benefit the wider community where possible.

Our Employees and Equal Opportunities

The health and well-being of staff is paramount. The Group has an extremely loyal and diverse workforce and promotes equality of pay and opportunity throughout. The Group has a low staff churn rate, and employees are encouraged and nurtured to attain positions to the best of their ability. Employees are encouraged and nurtured to attain positions best suited to their ability, with promotions made from within wherever possible, offering staff mobility from the warehouse floor to administrative roles and managerial positions. A reward structure is in place, which includes the grant of share options, enabling members of staff to participate in the growth of the Company, as appropriate.

Employee communication is encouraged throughout the Group both on an informal basis and through regular departmental meetings, where input from colleagues is welcomed in any area. Communication is key and the open-door policy operated by the Group and regular meetings aid this.

Whilst the board does not have a formal policy or targets for diversity, it consists of three female members and members from a variety of cultural backgrounds. It is very aware of the importance of diversity and the benefits it brings in attitude and outlook. Diversity is always considered when any appointments are made to the board.

The Group's employment policy is set out in the Directors' Report on page 44. At senior management level there are 14 female managers and seven male managers, excluding the board. Throughout the Group, the proportion of female to male employees is approximately 67% to 33%.

Communities and Charitable Causes

Wherever possible, the Group employs staff from the local areas and encourages the use of car sharing and public transport to reduce the impact on local roads. The times of our incoming and outgoing deliveries are managed to limit any disturbance to residents in the local area. As a rule, the Group uses local trade's people for goods and services creating employment and income within the area.

In addition to supporting a number of local and national charities and events each year, the Group has recently aligned with and made long-term commitments to several chosen charities working with young people and people living with cancer.

- "iHeart" – Warpaint has a long-term commitment to support a young person's mental health charity, "iHeart", with a donation of funds and visits to schools in Greater London. This charity supports young people by providing a range of courses and programmes on mental health education, resilience and wellbeing.

- "Look Good Feel Better" – This charity runs wellbeing workshops and classes for people living with cancer and is supported by the Group by money raising and the donation of sample products. Fundraising and support will continue across 2024.

- The Technic Brand became official sponsor of Farsley Celtic U16s, a local girls netball team. A recent survey by Women in Sport found that more than 1.3 million girls in the UK who enjoyed sport at primary school lose interest in physical activity as teenagers, with the main reasons being a fear of being judged, and a lack of confidence. The Group has supported the team with the purchase of their kit, donated products for local fundraising and provided work experience at the Silsden HQ, helping the girls to develop self-confidence, image positivity and commercial understanding.

- Current primary school education and the wider market is limited in sustainability content that ignites an interest in children and sparks an appetite for further learning. UK based company Annie Mals have created a book that helps children to understand the impact of plastic on the environment through the magic of storytelling. Warpaint became an established corporate partner of Annie Mals and has funded book donations to primary schools close to the Silsden office.

Diverse Products

Warpaint recognises the importance of its products to its consumers whatever their gender, sexuality or racial background and seek to ensure they are inclusive for all.

Cosmetic and skincare products are developed for every skin tone, with a wide range of shades aiming to make them as inclusive and affordable as possible.

Governance

Warpaint is dedicated to having robust governance policies, protocols and procedures throughout all aspects of our business. These help the business operate to high standards of conduct and to protect and grow the business for the benefit of all stakeholders.

Policies

Robust and Ethical Policies

The Group's policies, along with its approach to employees and equal opportunities, the environment, product testing, manufacture and materials and charitable causes are regularly reviewed, and are described below:

Anti-Bribery

The Group has in place an anti-bribery and anti-corruption policy, which sets out its zero-tolerance position and provides information and guidance to those working for the Group on how to report and deal with bribery and corruption issues. During the period, there were no incidents reported (2022: none).

Whistleblowing

The Group's 'whistleblowing' procedures ensure that arrangements are in place to enable employees and suppliers to raise concerns about possible improprieties on a confidential basis. Any issues raised are investigated and appropriate actions are taken. Should any significant issue arise they are highlighted to the board.

Modern Slavery and Human Trafficking

The Group has relationships with businesses around the world and is opposed to modern slavery and human trafficking wherever it may occur. The Group's processes and supply chains are examined and reviewed at least annually to ensure that slavery and human trafficking are prevented in its business and supply chains. Compliance with the Modern Slavery Act 2015 or equivalent anti-slavery, human trafficking laws are mandatory in all supply contracts. The Group's statement pursuant to the Modern Slavery Act 2015 which contains further information, is available at www.warpaintlondonplc.com

Corporate Governance

Further information regarding the board's governance processes and procedures and how the directors are fulfilling their duties to promote the success of the Company including the interests of our key stakeholders is set out within the Company's Corporate Governance Statement for the year ended 31 December 2023 and the Engagement with Stakeholders and Section 172 section of the Annual Report.

Stakeholder Engagement and Section 172 Report

The Company believes that engagement with its principal stakeholders is vital to enhancing the Group's value and promoting its long-term success. The identity of and engagement with key stakeholders are described below.

Key Stakeholder Engagement

The key stakeholders for the Group are customers, distributors, suppliers, employees, shareholders and the environment and community in which we live. Whilst interactions take place at all levels of the Group, the directors are aware of the importance of the relationships with key stakeholders and feedback is utilised wherever possible to sustain these relationships in order to drive the long-term success of the business.

Customers

Feedback with trade customers is initially directed through dedicated account managers followed by engagement with administration teams. For end user consumers, feedback is garnered through the peer-to-peer review site Yotpo, and social media such as Facebook, X (Twitter), Instagram and Pinterest. Consumers frequently contact the Company in writing, by email, direct calls to the head office and through the website www.w7cosmetics.co.uk where they are also able to leave comments. The Group endeavours to respond to all customers who reach out in a swift and efficient manner, typically by email or direct calls with all responses followed up to seek to achieve a positive outcome. Trends in the cosmetic business are dynamic and swift reaction to feedback is also vital in introducing new products and updating the Group's product range.

Distributors

The Group seeks to strengthen its relationships with distributors to garner feedback and provide support with regular meetings, attendance at trade shows and by maintaining close contact with them through sales representatives. Distributors provide feedback on product suitability including in regions of the world where there may be cultural or other sensitivities in the product packaging and branding. Different regions may also call for particular colour mixes and shades and such feedback enables the Group to optimise and tailor products in these regions. The aim is to align the interests of the distributor with those of the Group.

Suppliers

Suppliers are visited at least annually and regular contact maintained at other times through trade shows, meetings and other close communications. The Group's principal suppliers are made to feel part of the organisation with an open and honest dialogue encouraged so that feedback can be communicated and a rapid response provided. The Group has an office in Hong Kong enabling more frequent visits and enhanced supplier contact. A strong relationship with the Group's suppliers is vital to the long-term success of the Company.

Employees

The Group places enormous importance on the contributions of its employees and aims to keep them informed of developments in the Group through a combination of meetings and electronic communication. The Group operates an open-door policy, everyone is known by name to the senior managers and executive directors with the Chief Executive Officer and the Managing Director engaging daily with employees across the business. Communication is encouraged both on an informal basis and through regular departmental meetings, where input from colleagues is welcomed in any area. Communication channels within the business are key and the open-door policy and regular meetings aid this. Where practicable, consideration is given to flexible working.

Further information about our employees is outlined in the Group's ESG Report.

Shareholders

The means of engagement with shareholders is detailed in Principle 2 of the Corporate Governance Report for the year ended 31 December 2023.

Community and Social Responsibilities

The Group has long term associations with local communities and charities together with supporting a number of local and national charities and events each year. Further information is provided in the Group's ESG Report.

Environment and Sustainability

The board of directors is conscious of its environmental responsibilities and has embedded environmental goals within its long-term strategy, with the aim of continually improving all aspects of its environmental performance, as far as economically feasible. Further information is provided in the Group's ESG Report.

Section 172 Companies Act 2006

The directors are well aware of their duty under section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

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

The board always takes decisions for the long term, and collectively and individually aims to uphold the highest standards of conduct. Similarly, the board understands that the Company can only prosper over the long term if it understands and respects the views and needs of its customers, distributors, employees, suppliers and the wider community in which it operates. A firm understanding of investor needs is also vital to the Company's success along with a sustainable and environmentally responsible culture.

The directors are fully aware of their responsibilities to promote the success of the Company in accordance with Section 172 of the Companies Act 2006 and the board is regularly reminded of the Section 172 requirements as a board agenda with the corresponding headline decisions recorded.

Relations with shareholders are detailed in the Corporate Governance Report. Relations with other key stakeholders such as employees, distributors, customers and suppliers are considered in more detail in the Corporate Governance Report and in the Engagement with Key Stakeholders section of the Directors' Report.

The board ensures that the requirements are met, and the interests of stakeholders are considered as referred to elsewhere in this report and through a combination of the following:

- A rolling agenda of matters to be considered by the board through the year, which includes an annual strategy review meeting, where the strategic plan for the following year is developed, which is implemented and supported by a budget and a medium term (three year) financial plan.
- Standing agenda points and papers presented at each board meeting, which report on customers, employees and other colleagues, health and safety matters and investors.
- A review of certain of these topics through the Audit Committee and the Remuneration Committee agenda items referred to in this report.
- Detailed consideration is given to any of these factors where they are relevant to any major decisions taken by the board during the year.

Stakeholder Engagement and Section 172 Report (continued)

Key board decisions taken during the year ended 31 December 2023, all of which have long term implications for the ultimate success of the Company, and the Section 172 and stakeholder considerations are set out below.

Key Board Decision	Section 172 and Stakeholder Consideration
Annual Strategy Review meeting held to review and agree the Group's three-year Strategic Plan and KPIs, building on the Group's successful foundations to date, developing a strategy and KPIs based on substance that provide the optimum chances of success.	This is aimed at optimising and promoting the success of the Company in the long term, whilst providing measures for success, both vital for the benefit of members and stakeholders
The decision in 2023 to continue to further hone the Group's product range to reduce the number of SKUs and focus on a core product range.	This is aimed at optimising and promoting the longer-term success of the Company by focussing on the most successful and profitable product ranges, also reducing the Company's impact on the environment and saving storage costs by reducing the level of stock needed to be stored or moved at any one time.
New leases of Units A and E, at The Ridgeway Trading Estate, Iver resulting in the Group's occupation of all of units A to E, enabling its head office, southern operations and the majority of the W7 warehousing to be housed in one location, considerably improving the Group's logistics.	To improve the Company's business operations providing greater efficiency and lessen the Group's operational environmental impact.
Retention of Leicester warehouse premises as an overspill facility only, thereby reducing the environmental impact of this facility whilst enabling the fulfilment of customer orders rather than operating on a "just in time" basis. This overspill facility also assists with the mitigation of supply issues from time to time.	To improve the Company's business operations and logistics thereby providing greater efficiency whilst also lessening the Group's environmental impact.
Decision to change the Group's primary US 3PL warehouse provider to a site provider with sites in California, assisting with delivery to US customers (many of whose stores are located in California) and enabling stock to be shipped direct from manufacturers to the new US facilities.	To improve the Company's business operations and logistics thereby providing greater efficiency, whilst also lessening the Group's environmental impact.
The decision made to renew and extend the contract with Ward & Hagon Management Consultancy LLP in 2023 for a period of two years from 1 January 2024, to provide continued assistance and resources to develop and advance the Group's strategic plan	This appointment will impact employees, customers and suppliers and maintain and enhance the Company's high standards of business conduct and drive the Group's strategic plan for the benefit of members.
The decision to recruit two new non-executive directors to the board of directors of Warpaint London PLC.	These appointments supplement the wide experience and diversity of the board, thereby enhancing the quality of decision making at board level, for the benefit of stakeholders in the long-term.
Declaration of an interim dividend of 3.0p per share which was paid on 24 November 2023. Voting at the AGM was on a poll allowing shareholders proper representation on all resolutions. Along with the investor presentation for institutional investors, an Investor Webinar was hosted online on after the release of the interim results in September 2023, with an online presentation and Q&A session which was open to all existing and prospective shareholders. The Chief Executive Officer and Chief Financial Officer attended and presented at the Mello investor conference in May 2023. This allows retail investors to engage with and gain information about the strategy and performance of the Group whilst also providing the executives with valuable insight into the priorities of retail investors. The Chief Executive Officer has taken part in several online conferences and Q and A sessions in 2023 for private and retail investors, in conjunction with the Company's PR advisers.	To reward all shareholders and ensure that all shareholders are provided with equal opportunity to engage with the Company's management.


GRAPEFRUIT OVERNIGHT LIP MASK
SWEET DREAMS WITH VITAMIN E, ALOE VERA & GRAPE SEED OIL
DOUX RÊVES AVEC DE LA VITAMINE E, DE L'ALOE VERA ET DE
L'HUILE DE PÉPINS DE RAISIN
NET WT. 0.42 Oz./POIDS NET 12g ℮
STRAWBERRY OVERNIGHT LIP MASK
SWEET DREAMS WITH VITAMIN E, ALOE VERA & GRAPE SEED OIL
DOUX RÊVES AVEC DE LA VITAMINE E, DE L'ALOE VERA ET DE
L'HUILE DE PÉPINS DE RAISIN
NET WT. 0.42 Oz./POIDS NET 12g ℮
GREEN APPLE OVERNIGHT LIP MASK
SWEET DREAMS WITH VITAMIN E, ALOE VERA & GRAPE SEED OIL
DOUX RÊVES AVEC DE LA VITAMINE E, DE L'ALOE VERA ET DE
L'HUILE DE PÉPINS DE RAISIN
NET WT. 0.42 Oz./POIDS NET 12g ℮

Board of Directors

Clive Garston, Independent Non-Executive Chairman I (Chair)
Appointed November 2016. Clive has been a corporate lawyer for over 40 years specialising in corporate finance and mergers and acquisitions and is currently a consultant at Fladgate LLP. He is chairman of AIM quoted Fulcrum Metals plc and also acts as a strategic/business adviser. He has sat on the boards of a number of public and private companies and has been the deputy chairman of a fully-listed company and chairman of a number of other AIM companies. Clive has significant experience in small and medium quoted companies. He is a fellow of the Chartered Institute for Securities and Investment (CISI).

Skills: Corporate finance, legal, public companies and markets, corporate governance

Sam Bazini, Chief Executive Officer I
On leaving school at 16, Sam started work in a cosmetics warehouse, supplementing his income by selling cosmetics directly to the public at numerous London Street markets which gave Sam an invaluable insight into consumer needs. In 1981 at the age of 18, using £500 he had saved, he set up his own business, buying and selling close-out and end-of-line cosmetics and fragrances. During the course of the next ten years, Sam and Eoin's paths crossed on numerous occasions, working intermittently with each other on a joint venture basis until they formally went into business together in 1992. Together with Eoin Macleod, Sam developed the business which resulted in the formation of W7.

Skills: Co-Founder of W7, entrepreneurship, industry knowledge and experience

Eoin Macleod, Managing Director
Eoin's first introduction to the world of beauty was at the age of 14 through a Saturday job in an indoor market selling cosmetics and perfumes. After leaving college, Eoin decided to set up his own business selling fragrances directly to the public through London street markets as well as selling into the wholesale sector and then expanding into selling cosmetics. In 1992 he formally went into business with Sam, operating initially in the close-out cosmetics and fragrance industry. Together with Sam Bazini, Eoin developed the business which resulted in the formation of W7.

Skills: Co-Founder of W7, entrepreneurship, industry knowledge and experience

Paul Hagon Executive Director	**Neil Rodol** Chief Financial Officer	**Eoin Macleod** Managing Director	**Sharon Daly** Independent Non-executive Director	**Clive Garston** Independent Non-executive Chairman	**Indira Thambiah** Independent Non-executive Director	**Sam Bazini** Chief Executive Officer	**Sally Craig** General Counsel & Company Secretary	**Keith Sadler** Independent Non-executive Director

Neil Rodol, Chief Financial Officer I

Neil joined the Group in August 2015, having previously been an adviser to the business for several years and was appointed to the board as Chief Financial Officer in November 2016. Prior to joining the business he was involved in several corporate purchases and acquisitions, selling his publishing company in 2006 to a quoted group and becoming the group's licensing director; completing a management buyout in 2014. Neil trained as an accountant at BDO Stoy Hayward and holds an honours degree in Maths and Computer Science.

Skills: Financial skills, industry and public company experience

Sally Craig, General Counsel & Company Secretary

Sally has been Company Secretary to Warpaint London plc since February 2017 and was appointed to the board in September 2018. She is also the Corporate Finance, Legal and Regulatory Officer & Company Secretary of AIM quoted Diaceutics plc, a technology and solutions provider to the pharmaceutical industry. Sally is a solicitor and has previously practised as a corporate lawyer, and has many years' experience providing company secretarial services to private and public companies in the UK including then AIM quoted, Osmetech plc. Sally holds an honours degree in law from Manchester Metropolitan University.

Skills: Legal, company secretarial and public company experience

Indira Thambiah, Independent Non-Executive Director A R

Indira joined the Group as a Non-Executive Director on 1 January 2024, and is an experienced multi-channel retail executive and consultant, with previous roles including Head of Multi-Channel for Home Retail Group (Argos & Homebase). She has successfully managed several private businesses, most recently Roof Maker (CEO, 2018 to 2022). Indira has also been an independent non-executive director and member of the Remuneration Committee at each of Superdry plc (2010 to 2013) and Yorkshire Building Society (2007 to 2010), and is currently an independent non-executive director and Remuneration Committee Chair at Card Factory Plc and an independent non-executive director and Audit Committee Chair at Vivo Barefoot Ltd. Indira is a qualified Chartered Accountant.

Skills: Retail, digital, direct to consumer (D2C) and public company experience.

A Audit Committee
R Remuneration Committee
I Insider Committee

Paul Hagon, Executive Director

Paul joined the Group as a Non-Executive Director in November 2016, subsequently becoming an executive director on 1 January 2021, the effective date of renewal of the Company's strategic consultancy agreement with Ward & Hagon Management LLP. Having worked in the Grocery Sector for over 30 years in both wholesaling and major branded suppliers, Paul is currently providing consultancy services for a number of retail, manufacturing and wholesale businesses to assist with strategies, change programmes and the implementation of practical business plans. Prior to this, Paul has worked in selling, marketing and business management roles with Nestle and more recently, Palmer and Harvey, where his latter role was as Group Strategy and Development Director. Paul has also served as Chairman of the Association of Convenience Stores between 2014-2016, where he has been a board member for 20 years.

Skills: Retail and wholesale business experience and strategic planning

Keith Sadler, Independent Non-Executive Director A **(Chair)** R **(Chair)**

Keith joined the Group as a Non-Executive Director in November 2016. He is CFO of 4Global PLC a data driven sports participation company, Chairman of HR Dept. Limited, a professional services business and Hawkwing Plc (in Administration), a cash shell. Historically, Keith has been CEO or CFO of a number of quoted companies in the marketing services, telecoms and media industries. Keith is a chartered accountant and holds an honours degree in economics from the University of Kent.

Skills: Financial skills, communications and public company experience

Sharon Daly, Independent Non-Executive Director A R

Sharon joined the Group as a Non-Executive Director on 1 January 2024, and has more than 25 years of experience within the healthcare industry, predominantly in marketing, international sales and business development roles. Having previously worked for a leading dental manufacturer for seven years, Sharon spent five years within the international business development field with Sinclair Pharmaceuticals. Sharon co-founded Venture Life Group in 2010 and made a significant contribution to the growth of the business from inception, until she left in 2023, including its IPO on AIM in 2014. Sharon is also an Independent non-executive director at AIM listed Brickability Group Plc, where she is a member of the Audit Committee and Chair of the Remuneration Committee.

Skills: Marketing, Sales, Entrepreneurship and public company experience.

Corporate Governance Report

Chairman's Introduction

I am pleased to present the Corporate Governance Report for the year ended 31 December 2023. The Warpaint directors recognise and prioritise the importance of sound corporate governance in supporting and delivering the strategy of the Company and its subsidiaries (together the "Group"). This involves managing the Group in an efficient manner for the benefit of its shareholders and other stakeholders whilst maintaining a corporate culture which is consistent with our values. The Company has adopted the QCA Corporate Governance Code ("QCA Code") and the Company's Corporate Governance Statement is available to view on the Company's website at www.warpaintlondonplc.com.

I have responsibility for the Group's corporate governance processes and procedures and compliance with the QCA Code. The Company will comply with the latest QCA Code issued in 2023 (the "2023 Code") and will be reporting against the 2023 Code in respect of the Group's financial year ended 31 December 2024, in 2025.

The board of directors is responsible for the long-term success of the Company and, as such, devises the Group strategy and ensures that it is implemented. The board is also ultimately responsible for governance and is determined that the Company protects and respects the interests of all stakeholders and in particular is very focused upon creating the right environment for its employees. We want a happy workplace and we want our employees to be fully and properly rewarded and to feel that they are an integral part of the Warpaint family. A reward structure is therefore in place, which includes the grant of share options, enabling members of staff to participate in the growth of the Company, as appropriate. We want our suppliers, who are an essential part of the Company, to also feel part of the Warpaint family and we work closely with them to ensure that this is the case. Above all, the Company wishes to ensure that shareholders obtain a good return on their investment and that the Company is managed for the long-term benefit of all shareholders and other stakeholders. Appropriate corporate governance procedures will ensure that that is the case and reduce the risk of failure. The board also seeks to ensure that there are effective internal controls, risk is properly managed and that the Group strategy is implemented.

Board Composition

It has been a priority to bring more diversity and greater independent non-executive experience and balance to the board of directors and, as a result, a search was undertaken in 2023 to identify candidates who would fulfil this objective. I interviewed several candidates and was extremely pleased with the high calibre of the individuals who put themselves forward to join the board. This resulted in a shortlist of candidates who were then interviewed by Sam Bazini and Keith Sadler. Such was the exceptional quality of the shortlisted candidates that it was very difficult to narrow the field down. This comprehensive search culminated in a recommendation to the board and the appointment of both Indira Thambiah and Sharon Daly as non-executive directors and members of the Audit Committee and Remuneration Committee, on 1 January 2024.

These appointments are extremely welcome, and I am pleased that the Company has a such a strong, balanced board comprising four independent non-executive directors (including me as Chair) and five executive directors, which is fully diverse in all respects.

This report sets out our approach to governance and provides further information on the operation of the board of directors and its committees and how the Group seeks to comply with the ten principles of the QCA Code.

Clive Garston
Chairman

Principle 1 – Establish a strategy and business model which promote long term value for shareholders

Business Overview

Warpaint sells branded cosmetics under the lead brand names of W7 and Technic. W7 is sold in the UK primarily to retailers and internationally to local distributors or retail chains. The Technic brand is sold in the UK and continental Europe with a significant focus on the gifting market, principally for high street retailers and supermarkets. In addition, Warpaint supplies own brand white label cosmetics produced for several major high street retailers. The Group also sells cosmetics using its other brand names of Man'stuff, Body Collection and Chit Chat.

Strategy

The Group's strategy is reviewed each year by the board, taking account of relevant market data, the Group's track record, key strengths and experience, along with the Group's aims. The strategy is targeted by year and measured monitored and reviewed as part of the board's on-going business throughout the year.

The strategic plan, which comprises six key pillars, has been updated for 2024 forming the basis of the Group's development through to 2026. It is designed to drive shareholder value and contains defined targets for sales, EBITDA, earnings per share and cash generation, with a particular emphasis on driving incremental EBITDA growth.

Further details of the Group's strategy are set out in the strategy section of the Chief Executive's statement on pages 8 to 12.

Principle 2 – Seek to understand and meet shareholder needs and expectations

The Company remains committed to maintaining good communications and constructive dialogue with both its retail and institutional investors. The interests of shareholders are considered paramount to the decision-making process and strategic direction of the Group and good communication allows the Company to convey its strategy, business model and performance to its investors and, to understand and respond to the needs and expectations of shareholders. The board declared an interim dividend of 3.0p per share which was paid on 24 November 2023. In accordance with the Group's policy to pay appropriate dividends, the board is recommending a final dividend for 2023 of 6.0p per share, making a total dividend for the year of 9.0p per share.

All individual investor queries should be addressed to the Warpaint company secretary at: investors@warpaintlondonplc.com or to the Company's retained investor relations adviser, IFC Advisory Limited at: warpaint@investor-focus.co.uk

The means by which the Company communicates with its retail and institutional shareholders are set out in Principle 10.

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The Group has strong regard for the importance of its stakeholders including customers, distributors, suppliers, employees, shareholders, the environment and community in which we live.

See the ESG and Stakeholder Engagement sections of the Corporate Governance Report for further information on the Group's approach to and activities relating to its environmental and social responsibilities, and key stakeholders.

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

The Company is exposed to a variety of risks that can have financial, operational and regulatory impacts on the Group's business performance. The board recognises that creating shareholder returns is the reward for taking and accepting risk. The effective management of risk is therefore critical to supporting the delivery of the Group's strategic objectives.

Internal Control and Risk Management

The board is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The procedures, which include financial, compliance and risk management, are reviewed on an on-going basis. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The board has considered the need for an internal audit function, but does not consider it necessary at the current time with the current controls in place and the relative complexity of the business. The board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

The assessment and management of risk is primarily the function of the executive officers, most specifically the Chief Executive Officer for strategic and business risk and the Chief Financial Officer for financial risk. The Group maintains a formal risk register which is reviewed periodically and, where appropriate, matters of risk are referred to the board for consideration.

The principal risks identified by the board are set out in the Risk Management section of the Strategic Report on pages 19 to 20.

Principle 5 – Maintain the board as a well-functioning, balanced team led by the Chair

Composition, Roles and Responsibilities

The board currently comprises of the Chairman, Clive Garston three non-executive directors, Keith Sadler, Indira Thambiah and Sharon Daly and five executive directors, Sam Bazini, Eoin Macleod, Neil Rodol, Paul Hagon and Sally Craig, who is also the Company Secretary. Indira Thambiah and Sharon Daly were appointed to the Board on 1 January 2024.

The board is responsible for the long-term success of the Company. This includes formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions and, reporting to the shareholders.

The board considers that its composition is appropriate at this stage of the Company's evolution, but this remains under review. The board does not consider that having a senior independent director is presently appropriate, but this will also remain under review.

No single director is dominant in the decision-making process.

Corporate Governance Report (continued)

Roles of the Chairman, Chief Executive Officer, Managing Director, Chief Financial Officer and General Counsel & Company Secretary

The Chairman is responsible for running the business of the board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is primarily responsible for implementing and driving the Group strategy once it has been approved, investor relations and overseeing the management of the Company through the executive team. The Managing Director is responsible for driving sales operations and profitability.

The Chief Financial Officer works closely with the Chief Executive Officer and Managing Director and is responsible for all the financial affairs of the Group. In particular, the oversight of cash flow, the provision of monthly financial information to the board, control of working capital, overseeing the audit and preparation of all Group company statutory accounts and consolidated Interim Statements along with the overall financial management of the Group and its processes. The executive officers are responsible for formulation of the Group strategy for submission to the board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets to be approved by the board of directors.

The General Counsel & Company Secretary is responsible for the oversight of legal issues and regulatory compliance along with executive share schemes, investor queries, insurances and policy implementation. In addition, she assists the Chairman and other committee chairs in ensuring all meetings of the board and committees are informed and effective.

Board Operation

The board has adopted a formal schedule of matters reserved solely for its consideration. These include formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions, internal controls and reporting to the shareholders.

Board meetings are held in person and online and in 2023 the board met each month (apart from in July and August) with these meetings supplemented by additional meetings where required for the proper management of the business. For 2024 there are scheduled to be four quarterly meetings supplemented by additional meetings throughout the year as required for the proper oversight and scrutiny of the business and the executives, one of which includes a dedicated focused strategy session. One of the meetings will take place at the Group's Silsden offices. This will allow the board to meet with other senior management and key staff at the Badgequo subsidiary headquarters and enable staff there to engage with the board.

Board papers are circulated to board and committee members in advance to allow directors adequate time for discussion and consideration.

Dialogue occurs regularly between directors outside of scheduled meetings.

Board Meetings during the year and time committed

The board met 13 times during the financial year ended 31 December 2023 for both scheduled and *ad hoc* meetings and calls.

In the event that directors are unable to attend a meeting, their comments on papers submitted may be discussed in advance with the Chairman enabling their contribution to be included in the wider board discussion.

Board and Committee Meeting attendance for the year ended 31 December 2023

The following table shows directors' attendance at scheduled and *ad hoc* board meetings during the year. Indira Thambiah and Sharon Daly were appointed to the Board on 1 January 2024.

	Board	Audit	Remuneration	Insider
Clive Garston	13/13	2/2	3/3	None
Sam Bazini	10/13	n/a	n/a	None
Eoin Macleod	10/13	n/a	n/a	n/a
Neil Rodol	13/13	n/a	n/a	None
Sally Craig	13/13	n/a	n/a	n/a
Paul Hagon	11/13	n/a	n/a	n/a
Keith Sadler	12/13	2/2	3/3	n/a

The following directors are each required to commit at least the following number of days per week to their roles: The Chief Executive Officer and Managing Director, five days; the Chief Financial Officer, four days and the General Counsel & Company Secretary, three days (26 hours). Paul Hagon, executive director, and the non-executive directors are required to provide such time as is required to fully and diligently perform their duties. All board members are expected to attend all meetings of the board and the committees on which they sit, wherever possible.

Board Rotation

The Articles of Association of the Company (the "Articles") require that one-third of the directors must stand for re-election by shareholders annually in rotation and that any new directors appointed during the year must stand for re-election at the Annual General Meeting ("AGM") immediately following their appointment. In accordance with the Articles, Indira Thambiah and Sharon Daly having been appointed since the date of the last AGM will stand for election and Eoin Macleod and Keith Sadler will retire by rotation and stand for re-election at the forthcoming AGM.

Principle 6 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The board retains a range of financial, commercial and entrepreneurial experience and there is a good balance of skills, independence, diversity and knowledge of both the Company and the sectors in which it operates including cosmetics, retailing, finance and computing, innovation, international trading, e-commerce, marketing and public markets. Non-executive directors are appointed on merit and for their specific areas of expertise and knowledge. This enables them to bring independent judgement on issues of strategy and performance and to debate matters constructively.

The biographies of each of the directors, including the committees on which they serve and chair and the skills brought to the board, are shown in the section headed Board of Directors.

The board is satisfied that, between the directors, it has an effective and appropriate balance of skills, knowledge, experience and time committed to enable it to deliver the strategy of the Group, it is nevertheless mindful of the need to continually review the needs of the business to ensure that this remains true. Involvement with a variety of other boards allows the members to witness alternative approaches to similar business issues and to benefit from the advice of more than just the Group's advisers.

Directors attend seminars and other regulatory and trade events where appropriate to ensure that their knowledge and industry sector contacts remain current and may attend such courses or training, as they feel appropriate, to keep their knowledge up to date.

External and Internal Advice

The board seeks external advice from time to time to enable it to effectively perform its duties including from its lawyers, accountants, nominated adviser and corporate broker, financial PR advisers and insurance brokers. In 2023, the board engaged a recruiter to assist in the search for a non-executive director.

All directors have access to the advice and services of the General Counsel & Company Secretary, who is responsible for ensuring that board procedures are followed and that the Company complies with applicable rules, regulations and obligations.

Corporate Governance Report (continued)

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

The Group's performance is reported bi-monthly against headline performance and agreed budgets and reviewed by the board (as a minimum) at each monthly board meeting. The board challenges the executive directors and senior management on performance against budgets, forecasts and key business milestones and have adopted a set of KPI's against which the performance of the Company and therefore the board, may be measured.

The Company is yet to adopt a formal performance evaluation procedure for the board and directors individually. This will remain under review and the board will consider the implementation of performance evaluations facilitated by external advisers for the board, both individually and as a group, to ensure the efficient and productive operation of the board. As the business of the Group grows, the expertise required at management level is expanded and developed although there are no prescribed procedures for succession planning at board level.

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

The board maintains a corporate culture consistent with the Group's strategic objectives which aims to promote an ethical and responsible business, and which is monitored by the Chief Executive Officer who appraises the board of any issues arising.

The board is equally committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies and procedures to support these standards. These include policies on Anti-Bribery, Whistleblowing and Modern Slavery details of which are included in the ESG report.

See the ESG and Stakeholder Engagement sections of the Corporate Governance Report for further information on the Group's approach to and activities relating to its environmental responsibilities, key stakeholders and corporate culture.

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Group's governance structures have been reviewed against the QCA Code. The board believes them to be in accordance with best practice as adapted to best comply with the Group's circumstances and stage of development. These structures will be further reviewed through 2024 in the light of the 2023 Code and reported on in 2025.

The board is responsible for implementing the Group's strategy and promoting the long-term success of the Company. The executive directors have overall responsibility for managing the Group's day to day operational, commercial and financial activities supported by senior management. The non-executive directors are responsible for bringing independent and objective judgement to board decisions.

The business reports bi-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 scheduled meeting. The board challenges the executive directors and senior management on performance against budgets, forecasts and key business milestones. Monthly updates on performance are reviewed at each formal board meeting.

At each meeting the board considers directors' conflicts of interest. The Company's Articles provide for the board to authorise any actual or potential conflicts of interest.

The board is confident that its governance structures and processes are consistent with its current size and complexity of the business. The board is mindful of the appropriateness of the Group's governance structures and practices which are continually reviewed to take account of further developments of accepted best practice and the development of the Company.

The matters reserved for the board and the directors' roles and responsibilities are outlined in Principle 5.

The committees of the board of directors are described below.

Audit, Remuneration and Insider Committees

The board has established the Audit Committee, Remuneration Committee and Insider Committee with formally delegated duties and responsibilities and with written terms of reference. The full terms of reference of each committee are available from the Company's website at www.warpaintlondonplc.com

The Audit Committee and the Remuneration Committee each comprises three non-executive directors: Keith Sadler (Chair of both committees), Indira Thambiah and Sharon Daly. Clive Garston stepped down from these committees effective 1 January 2024 upon the appointment of Indira and Sharon to the board, and to the committees. The Insider Committee comprises one non-executive director and two executive directors: Clive Garston (Chair), Sam Bazini and Neil Rodol.

During the financial year ended 31 December 2023, the Audit Committee met twice, the Remuneration Committee three times and the Insider Committee did not meet. From time to time, separate committees are set up by the board to consider specific issues when the need arises.

Due to the size of the Group, the directors have decided that issues concerning the nomination of directors will be dealt with by the board rather than a committee but will regularly reconsider whether a Nomination Committee is required. In the year ended 31 December 2023 an *ad hoc* Nomination Committee was appointed comprising of Clive Garston (Chair), Sam Bazini and Keith Sadler, in relation the recruitment of a new non-executive director to the board. This culminated in the recommendation to the board and appointment of Indira and Sharon on 1 January 2024.

Principle 10 – Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company's principal means of communication with shareholders is through the Annual Report and Financial Statements, the full-year and half-year announcements and the AGM. The board receives regular updates on the views of shareholders through briefings and reports from the executive directors, the Company's brokers and PR advisers and responds to and will take account, wherever possible, of recommendations made by proxy adviser companies.

Retail Investors

The board recognises that the AGM is an important opportunity to meet retail shareholders. Each substantially separate issue is the subject of a separate resolution at the AGM and all shareholders have the opportunity to put questions to the Board. All board members endeavour to attend AGMs and answer questions put to them which may be relevant to their responsibilities. In addition, the directors are available to listen informally to the views of shareholders immediately following the AGM, allowing all shareholders an opportunity to ask questions or represent their views.

For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The Company releases the voting results for the AGM and other General Meetings by RNS and the results of the AGM are published on the Company's website.

The Chief Executive Officer and Chief Financial Officer attended and presented at the Mello 2023 investor conference in May 2023, an important event enabling retail investors to engage with and gain information about the strategy and performance of the Group.

The Chief Executive Officer takes part in several online conferences and Q and A sessions for private and retail investors, in conjunction with the Company's PR advisers.

Corporate information, including Company announcements and presentations, are also available to shareholders, investors and the public on the Group's website www.warpaintlondonplc.com The Company's contact details and email address for investor queries, and correspondence address are listed on the website and the website offers a facility to sign up for email alert notifications of the Company's news and regulatory announcements.

Institutional Shareholders

The Chief Executive Officer and the Chief Financial Officer make presentations to institutional shareholders and participate in Investor Roadshows both following the announcement of the full-year and half-year results and, at other times throughout the year. Not every executive officer participates in every investor presentation. The Chairman participates in these presentations where appropriate and is available to speak with shareholders. Dialogue with individual institutional shareholders also takes place in order to understand and work with these investors to seek to comply with their investor principles where practicable.

In 2023, after the announcement of the Company's Interim Results for the six months ended 30 June 2023, Warpaint's management hosted an online presentation and Q&A session, which was open to all existing and prospective shareholders.

Investor queries may be addressed to the Company Secretary at investors@warpaintlondonplc.com A range of corporate information (including all Company announcements) is also available to shareholders, investors and the public on the Company's website www.warpaintlondonplc.com

The Company's means of communicating with its other stakeholders are set out in the Stakeholder Engagement and ESG sections of the Strategic Report and the Section 172 report.

The Reports of the Audit Committee and the Remuneration Committee describe the responsibilities of those committees and the work undertaken throughout the year.

Audit Committee Report

On behalf of the board, I am pleased to present the Audit Committee Report for the year ended 31 December 2023.

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and reviewed, and its role includes monitoring the integrity of the financial statements of the Group (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors, reviewing findings of an audit with the auditors, meeting regularly with the auditors and advising on the appointment of external auditors.

During the year the Committee consisted of two non-executive directors: me (as Chairman) and Clive Garston. Indira Thambiah and Sharon Daly were appointed to the board on 1 January 2024 and are both independent non-executive directors. With effect from I January 2024, both Indira and Sharon were appointed to the Audit Committee and Clive Garston stepped down from this Committee.

The Audit Committee is convened as required and met twice during the year ended 31 December 2023 to discharge its responsibilities *inter alia* in connection with the Group's Financial Statements for the year ended 31 December 2022 and the Interim Financial Statements for the six months ended 30 June 2023. A further planning meeting took place with the external auditor BDO LLP ("BDO") during the year. The Chief Financial Officer and the external auditor normally attend Committee meetings. The Committee met with the external auditor without management present during the year.

The board is satisfied that I, as Chairman of the Committee, have recent and relevant financial experience. I am a Chartered Accountant and, over the past 28 years have served on the board of a number of public limited companies in finance roles including as chief financial officer, group finance director and treasurer.

Whilst the board as a whole has a duty to act in the best interests of the Company, the Committee has a particular role, acting independently of management, to ensure that the interests of shareholders are properly protected in relation to financial reporting and the effectiveness of the Group's systems of financial internal controls.

The key responsibilities of the Committee are to:

- Monitor the integrity of the Group's financial statements and other statements and announcements relating to its financial performance, reviewing and challenging the methodology and assumptions used where necessary;
- Consider the Group's accounting policies and practices along with its application of accounting standards and significant judgements;
- Review the effectiveness of the Group's system of internal controls, including financial reporting and controls and risk management systems;
- Review the adequacy and security of the Group's procedures and controls for whistleblowing; the detection of fraud and the prevention of bribery;
- Consider and make recommendations to the board on the appointment, reappointment, removal or resignation and remuneration of the external auditor; and
- Oversee the relationship with the Group's external auditor including consideration of the objectivity and independence of the external audit process.

The full terms of reference for the Committee can be found on the Company's website at www.warpaintlondonplc.com

Key Activities during the Year

During the year ended 31 December 2023, the Audit Committee has:

- Received and reviewed statements from management regarding their approach to key accounting considerations, estimates and judgements in the financial statements for the year ended 31 December 2022, in particular revenue recognition, valuation of inventory recorded on the statement of financial position, impairment assessments on the carrying value of goodwill and other intangible and tangible assets, debtor recoverability, management's assessment of going concern;
- Discussed the report received from the external auditor regarding its audit in respect of the year ended 31 December 2022;
- Reviewed the half-year and full-year financial statements;
- Reviewed and approved the Group's viability/going concern statement, including the approach and assumptions taken, giving consideration to key risks;
- Reviewed and discussed with the external auditor the key accounting

considerations, estimates and judgements reflected in the Group's interim results for the six-month period ended 30 June 2023;
- Reviewed and agreed the external auditors audit strategy memorandum in advance of its audit for the year ended 31 December 2023, including a statement on its independence and objectivity; and
- Agreed the terms of engagement and fees to be paid to the external auditor for the audit of the 2023 financial statements.

An overview of the Company's approach to risk, risk management and internal controls through 2023, together with a summary of the principal risks facing the Group, is provided in the risk management section.

External auditor

The Committee oversees the Group's relationship with BDO and formally reviews the relationship, policies and procedures to ensure its independence. BDO also reports to the Committee on the steps it has taken through the year to safeguard its independence and to comply with the relevant professional and regulatory requirements. The BDO partner in charge of the audit is Hannah Pop who has held the role for one year. The maximum term for which a partner in charge can perform the role is five years.

BDO has been auditor to the Group for seven years since its appointment in respect of the 2016 year end, with the lead audit partner being rotated on a regular basis, most recently in 2023 as noted above in respect of the audit for the year ended 31 December 2023. The last tender for the audit of Warpaint London plc and its subsidiaries occurred in 2016. The board is satisfied that BDO's appointment as auditor remains appropriate for the size and complexity of the Group, but consideration is given to the tendering for auditors from time to time and this will remain under review. There are no contractual obligations that restrict the Committee's choice of external auditor.

BDO LLP was appointed by the board as the Company's external auditor on 28 June 2023 for the 2023 reporting period and it is their intention to put themselves forward at the AGM to stand as auditors for the next financial period.

The Group paid £241,000 to BDO for audit services in 2023, relating to the statutory audit of the Group and Company financial statements, the audit of Group subsidiaries, and audit-related assurance services. In addition, the Group paid £16,000 to BDO in 2023, for advice in relation to tax advice and interim reviews.

Independence

During the year it was identified that BDO Ireland, a separate BDO Member Firm, had provided VAT Compliance Services to Warpaint Cosmetics (ROI) Limited, which is a controlled undertaking of Warpaint London PLC. As such, this constitutes a service which is not permitted to be provided to Other Entities of Public Interest and their controlled undertakings under paragraph 5.40 and 5.42 of the FRC Ethical Standard (2019). The service was provided during the financial years ended 31 December 2024 ("FY24") but concerned matters in relation to the previous financial year and had fees of less than £1,770. The services were provided in January FY24 to meet a statutory reporting deadline in Ireland, following which they were immediately terminated. The services had no material effect on Warpaint London PLC's Consolidated Financial Statements. BDO have assessed the threats to independence arising from the provision of this non-audit service and, in its professional judgment, have confirmed that based on its assessment of the breach, BDO's integrity and objectivity as Auditor has not been compromised and BDO believe that an Objective, Reasonable and Informed Third Party would conclude that the provision of this service would not impair their integrity or objectivity for any of the impacted financial years. Those Charged With Governance at the entity have concurred with this view. Other than the matter noted above, no other non-audit services prohibited by the FRC's Ethical Standard (2019) were provided to the entity.

Committee performance and effectiveness

The Company is yet to adopt a formal performance evaluation procedure for the board, its committees and directors individually.

Audit Committee Report

This Audit Committee Report was reviewed and approved by the board on 23 April 2024.

Keith Sadler
Audit Committee Chairman

Remuneration Committee Report

On behalf of the board of directors, I am pleased to present the Remuneration Committee Report for the year ended 31 December 2023.

The main objectives of the Remuneration Committee are to develop and implement compensation packages designed to attract, incentivise and retain staff, creating opportunities for senior management and employees to participate in share option schemes and develop bonus arrangements which reward performance and increase shareholder value over the long term.

The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Group's policy on the remuneration packages of the Company's Chairman, and the executive directors and such other members of the senior management as it is designated to consider. The Remuneration Committee also has responsibility for determining (within the terms of the Group's policy and in consultation with the Chairman of the board and/or the Chief Executive Officer) the total individual remuneration package for each executive director and other senior managers (including bonuses, incentive payments and share options or other share awards). The remuneration of non-executive directors will be a matter for the board as a whole. No director or manager will be allowed to partake in any discussions as to their own remuneration. In exercising this role, the directors shall have regard to the recommendations put forward in the relevant QCA Guidelines.

During the financial year ended 31 December 2023, the Committee consisted of two non-executive directors: me (as Chairman) and Clive Garston. Indira Thambiah and Sharon Daly were appointed to the board on 1 January 2024 and are both independent non-executive directors who, with effect from I January 2024 were appointed to the Remuneration Committee, with Clive Garston stepping down from this Committee.

The Remuneration Committee is convened not less than twice a year and otherwise as required. The Committee met three times during the year ended 31 December 2023.

The full terms of reference for the Committee can be found on the Company's website at www.warpaintlondonplc.com

Key Activities during the Year

During the year ended 31 December 2023, the Remuneration Committee:

- Reviewed the share option award proposals for the grant of options under the Warpaint London plc Company Share Option Plan
- Reviewed the salary and bonus proposals for the executive directors and senior management at or above the committee's review threshold
- Reviewed the performance criteria contained in the Enterprise Management Incentive Scheme ("EMI") share options granted to Neil Rodol, Sally Craig and 34 employees on 29 June 2017
- Reviewed the performance criteria contained in the Long Term Incentive Plan ("LTIP") options granted to certain directors and senior employees on 21 September 2018 which lapsed in the year.

External Advice

The Remuneration Committee received legal advice from Fladgate LLP in the year to assist them in their responsibilities in connection with the review of the performance criteria in the EMI options.

Directors Remuneration Policy

The Group takes into account both Group and individual performance, market value and sector conditions in determining director and senior employee remuneration. The Group has maintained a policy of paying salaries comparable with peer companies in the sector in order to attract and retain key personnel.

Directors' Remuneration for the year ended 31 December 2023

	Salary £	Pension £	Benefits £	Bonus £	Total Remuneration 2023 £	Fair Value of Options £	Total Remuneration 2022 £
S Bazini	225,000	–	15,046	150,000	390,046	–	272,793
E Macleod	225,000	–	12,037	150,000	387,037	–	270,234
N Rodol	173,000	1,320	–	125,000	299,320	248,160	213,320
S Craig	62,500	1,320	–	5,000	68,820	20,942	63,820
C Garston	69,300	–	–	–	69,300	–	66,000
P Hagon	42,000	–	–	–	42,000	*70,800	40,000
K Sadler	46,200	–	–	–	46,200	–	44,000

* Shares granted to consultancy company Ward & Hagon Management Consulting LLP, of which director Paul Hagon is a member.

Directors' interests in share options for year ended 31 December 2023

As at 31 December 2023 the following directors held the following performance related share awards (Enterprise Management Incentive Scheme Options, LTIPs or CSOPs) over ordinary shares of 25p each under the Warpaint London plc Enterprise Management Incentive Scheme, the Long Term Incentive Plan and the Warpaint London plc Company Share Option Plan. For details of the share option schemes see Note 21 in the Consolidated Financial Statements.

	Type of Share Award	Date of Grant	Number of Shares at 31 December 2023	Exercise Price	End of Performance Period/First Exercise Date	Number of Shares at 31 December 2022
S Bazini	LTIP**	21.09.2018	–	254.5p	31.12.2022	1,534,986
E Macleod	LTIP**	21.09.2018	–	254.5p	31.12.2022	1,534,986
N Rodol	EMI	29.06.2017	–	237.5p	29.06.2020	105,262
	LTIP**	21.09.2018	–	254.5p	31.12.2022	306,996
	EMI (Non-Qualifying)	24.05.2021	225,410	122.0p	24.05.2024	225,410
	CSOP	24.05.2021	24,590	122.0p	24.05.2024	24,590
	EMI (Non-Qualifying)	24.11.2023	110,770	3.25p	24.11.2026	–
	CSOP	24.11.2023	9,230	3.25p	24.11.2026	–
S Craig	EMI	29.06.2017	10,000	237.5p	29.06.2020	10,000
	CSOP	20.05.2020	10,000	49.5p	20.05.2023	10,000
	CSOP	24.11.2023	10,000	3.25p	24.11.2026	–
P Hagon	EMI (Non-Qualifying)	01.03.2022	*200,000	127.5p	01.03.2025	*200,000
C Garston	–	–	–	–	–	–
K Sadler	–	–	–	–	–	–

* Shares granted to consultancy company Ward & Hagon Management Consulting LLP, of which director Paul Hagon is a member.
** LTIP share awards lapsed 4 December 2023.

Remuneration Committee Report (continued)

The directors, who held office at 31 December 2023, had the following interests in the ordinary shares of 25p each in the capital of the Company:

	Number of share options held at 31 December 2023	Number of Ordinary Shares held at 31 December 2023	Ordinary Shares as % of issued share capital	Number of Ordinary Shares held at 31 December 2022
S Bazini (a)	–	15,195,208	19.80	15,195,208
E Macleod (b)	–	15,195,208	19.80	15,195,208
N Rodol	370,000	103,961	0.14	103,961
S Craig	30,000	–	–	–
P Hagon	*200,000	31,145	0.04	31,145
C Garston	–	126,315	0.16	126,315
K Sadler	–	40,439	0.05	40,439

* Shares granted to consultancy company Ward & Hagon Management Consulting LLP, of which director Paul Hagon is a member.

In addition to the above holdings:
(a) 4,250,000 (2022: 4,250,000) shares are held by the wife of S Bazini
(b) 4,250,000 (2022: 4,250,000) shares are held by the wife of E Macleod

For details of the share option schemes see Note 21 in the Consolidated Financial Statements.

There were no changes in the shareholdings of the directors between 31 December 2023 and the date of this report.

Service Contracts and non-executive directors' Letters of Appointment

The executive directors have rolling contracts that are terminable on 12 months' notice, in the case of Sam Bazini and Eoin Macleod (the Chief Executive Officer and the Managing Director) and six months' notice, in the case of Neil Rodol (Chief Financial Officer) and Sally Craig (General Counsel & Company Secretary). Paul Hagon (executive director), Clive Garston (Chairman), Keith Sadler, (non-executive director), Indira Thambiah (non-executive director) and Sharon Daly (non-executive director) have each entered into a letter of appointment which is terminable on three months' notice.

Shareholder Approval of Directors' Remuneration Report

Shareholders are asked to approve this directors' Remuneration Report (excluding the directors' Remuneration Policy) for the year ended 31 December 2023 at the forthcoming Annual General Meeting. This resolution is advisory in nature.

Keith Sadler
Remuneration Committee Chairman

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 year ended 31 December 2023. The Corporate Governance statement forms part of this report.

Going concern

The Company's going concern statement can be found in the Consolidated Financial Statements on pages 57 to 58.

Results and dividends

The directors recommend a final dividend of 6.0 pence per ordinary share to be paid on 5 July 2024 for the year ended 31 December 2023 which, when added to the interim dividend of 3.0 pence per share gives a total dividend for the year of 9.0 pence per share. In the year ended 31 December 2022 the final dividend per ordinary share was 4.5 pence per share and the interim dividend 2.6 pence per share, giving a total dividend for the year ended 31 December 2022 of 7.1 pence per share.

Directors

The following directors who held office during the year are as follows:

Non-executive Chairman
C Garston

Executive directors
S Bazini
E Macleod
N Rodol
S Craig
P Hagon

Non-executive director
K Sadler

Indira Thambiah and Sharon Daly were appointed on 1 January 2024 and held office at the date of authorisation of the accounts.

In accordance with the Articles, Indira Thambiah and Sharon Daly having been appointed since the date of the last Annual General Meeting will stand for election and Eoin Macleod and Keith Sadler will retire by rotation and stand for re-election at the forthcoming Annual General Meeting.

Likely Future developments

Details of the Group's future developments are contained in the Strategic report.

Substantial shareholdings

The Group is aware of the following shareholdings of 3% or more in the share capital as at 31 December 2023:

Shareholder	Number of Shares	%
S Bazini (including connected parties)	19,445,208	25.17
E Macleod (including connected parties)	19,445,208	25.17
Schroder plc	10,661,021	13.80
JP Morgan Asset Management (UK) Limited	5,009,705	6.48
BI Asset Management Fondsmæglerselskab A/S	3,532,367	4.57
Canaccord Genuity Group Inc	2,348,612	3.04

Directors' Report (continued)

Financial instruments

The Group's financial risk management objectives and policies are discussed in Note 23 to the Consolidated Financial Statements.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution proposing that BDO LLP be re-appointed as auditors of the Group will be put to the Annual General Meeting.

Indemnity of Directors

The Company has purchased and maintained directors' and officers' liability insurance for the board.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Employees

It is the Company's policy not to discriminate between employees or potential employees on any grounds. Full and fair consideration is given to the recruitment, training and promotion of disabled people and, should staff become disabled during the course of their employment, efforts are made to provide appropriate re-training. Further information about the Company's engagement with its employees is set out in the ESG report and the Stakeholder and Section 172 section.

Engagement with Key Stakeholders

The Company believes that engagement with its principal stakeholders is vital to enhancing the Group's value and promoting its long-term success. Details of the identity of and engagement with key stakeholders are set out in the ESG report and the Stakeholder and Section 172 section.

Streamline Energy and Carbon Reporting ("SECR")

Our SECR covers the energy consumption and Greenhouse Gas ("GHG") emissions for the period 1 January 2023 to 31 December 2023 (with comparatives shown for the same period in 2022). The tables below show for the financial years 2022 and 2023, the energy and GHG emissions from business activities involving the combustion of gas, the purchase of electricity, and business mileage in both kWh and tCO2e.

Financial Year 2023	**Energy Usage in kWh**	**GHG Emissions in tCO2e**
Scope 1	170,099	31,116
Scope 2	352,823	73,061
Scope 3	62,648	13,887
Total for 2023	**585,570**	**118,064**
Intensity ratio (tCO2e per £mil)		**1.16**

Financial Year 2022	**Energy Usage in kWh**	**GHG Emissions in tCO2e**
Scope 1	147,658	26,953
Scope 2	324,524	62,756
Scope 3	47,566	10,806
Total for 2022	**519,748**	**100,515**
Intensity ratio (tCO2e per £mil)		**1.40**

In prior years the intensity metric selected was based on the energy consumption per square metre of area of our sites, which was appropriate at that time. However, as the business of the Group has grown especially in 2023, it is now considered to be more relevant and appropriate to use Group sales as the correct intensity metric, this is 1.16kg tCO2/£mil in the year (2022: 1.40kg tCO2/£mil). We will now use this sales driven ratio to monitor our energy efficiency performance over time.

The Group includes energy efficiency measures whenever possible in carrying out its business, and when making operational decisions. In 2023 we continued the upgrade of internal and external lighting to LED units, and we are currently engaged in a process to install solar panels at our largest warehouse site to provide electricity throughout the year and to return any surplus energy back to the grid. We continue to consider new technologies to improve the environmental performance of our sites, to reduce energy consumption and improve energy efficiency.

SECR METHODOLOGY

The figures quoted include meter readings for electricity and gas, and mileage expense reimbursement claims for business mileage. Conversion factors used are taken from the GOV.UK website https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2023 and https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022 to calculate emissions for Scope 1,2 and 3. Refunded business mileage has been classed as Scope 3 as the Group do not own the assets.

SECR MATERIALITY

The data provided by the Group has been determined as accurate and complete and covers the Group's operations in the United Kingdom, specifically the operations of the two UK subsidiaries, Warpaint Cosmetics (2014) Limited and Badgequo Limited.

Statement of disclosure to the auditors

So far as the directors are aware:

(a) there is no relevant audit information of which the Company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 the Group financial statements in accordance with UK adopted international accounting standards, and the Company financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards or United Kingdom Generally Accepted Accounting Practice;
- prepare the 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 that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

Neil Rodol
Chief Financial Officer
23 April 2024


W7
COOL DOWN
The Coolest Shades
40 COOL & CRISP PRESSED PIGMENTS

Independent Auditor's Report

to the members of Warpaint London PLC

Opinion on the financial statements

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 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Warpaint London Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the consolidated statement of comprehensive income, the consolidated statements of financial position, the consolidated statements of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity, and notes to the financial statements, including a summary of material and significant accounting policy information.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

During the year it was identified that BDO Ireland, a separate BDO Member Firm, had provided VAT Compliance Services to Warpaint Cosmetics (ROI) Limited, which is a controlled undertaking of Warpaint London PLC. As such, this constitutes a service which is not permitted to be provided to Other Entities of Public Interest and their controlled undertakings under paragraph 5.40 and 5.42 of the FRC Ethical Standard (2019). The service was provided during the financial year ending 31 December 2024 ("FY24") but concerned matters in relation to the previous financial year and had fees of less than £1,770. The services were provided in January FY24 to meet a statutory reporting deadline in Ireland, following which they were immediately terminated. The services had no material effect on Warpaint London PLC's Consolidated Financial Statements. We have assessed the threats to independence arising from the provision of this non-audit service and, in our professional judgment, we confirm that based on our assessment of the breach, our integrity and objectivity as Auditor has not been compromised and we believe that an Objective, Reasonable and Informed Third Party would conclude that the provision of this service would not impair our integrity or objectivity for any of the impacted financial years. Those Charged With Governance at the entity have concurred with this view.

Other than the matter noted above, no other non-audit services prohibited by the FRC's Ethical Standard (2019) were provided to the entity."

We remain independent of the Group and the 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 these requirements.

Conclusions relating to going concern

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

- Evaluating the process the Directors followed to make their assessment, including checking if the assessment and underlying projections were prepared by appropriate individuals with sufficient knowledge of the detailed figures as well as an understanding of the Group's markets, strategies and risks;
- Understanding, challenging and corroborating the key assumptions included in their cash flow forecasts against prior year, our knowledge of the business and independent market data, along with the findings from other areas of our audit;
- Consideration of the susceptibility of the Group to any counterparty default or significant delays in settlement of payments. This included corroborating post year-end sales values and cash receipts on a sample basis to supporting evidence;
- Evaluating via inquiry with the Directors, review of board minutes and review of external resources the potential impact of any a) macroeconomic influences (including inflationary pressures) and b) one-off cash outflows that may have been omitted from cash flow forecasts and assessing the impact these could have on future cash flows and cash reserves;
- Assessing appropriateness of stress test scenarios, and challenging whether other reasonably possible scenarios could occur and considering whether the assumptions included within these were appropriate. In doing so we also challenged the mitigations provided by the Directors in the event of a reasonable downside scenario occurring; and
- Considering the adequacy of the disclosures relating to going concern included within the annual report against the requirements of the accounting standards and consistency of the disclosures against the forecasts and going concern assessment.

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 and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Independent Auditor's Report (continued)

to the members of Warpaint London PLC

Overview

Coverage	*99% (2022: 99%) of Group profit before tax* *98% (2022: 96%) of Group revenue* *98% (2022: 98%) of Group total assets*		
		2023	2022
Key audit matters	Revenue recognition	√	√
Materiality	*Group financial statements as a whole* We determined a materiality level of £650,000 (2022: £456,400) based on 5% (2022: 5%) of profit before tax adjusted for exceptional items.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The group consists of three trading subgroups, all of which are run from the UK except for Marvin Leeds Marketing Services Inc. which is based in the USA. In establishing the overall approach to the group audit, we completed full scope audits on the underlying subgroups and the parent company as significant components, except for the Marvin Leeds Marketing Services Inc. subgroup which was considered to be a non-significant component and subject to specific audit procedures on certain account balances.

All audit work was carried out by the group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that 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.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition Refer to Note 2 and relevant accounting policy in Note 1	The Group has recorded revenues of £89.5m in the year, representing an increase in the prior year amount of £64.0m. Revenue is measured net of any rebates or discounts granted to customers. The Group records revenues at the point in time when goods have been delivered to the customers; for overseas sales however the performance obligation is considered fulfilled upon delivery to either the port of departure or according to the terms of sale agreed with the customer. Overseas sales are also recognised upon collection by customers from one of the Group's distribution warehouses. We identified a significant risk around the inappropriate recognition of revenues in the correct period, according to the delivery of performance obligations as defined by IFRS 15, resulting from manual journals posted by Management. There may be an incentive to accelerate revenue to further improve the Group's performance and in addition there may be an incentive to delay revenue to the subsequent period. As a result of the above, we considered revenue recognition to be a key audit matter.	We assessed and evaluated management's accounting policy for revenue recognition in accordance with IFRS 15. We updated our understanding of the nature of journal entries posted into revenue throughout the year. These journals are mainly transactional in nature. We set our journal testing criteria based on the risk that we identified. For each of the journals identified within our criteria, we performed the following: • We enquired of management as to the rationale for the journal posted. • We traced the journal to the appropriate corresponding entry and we checked if appropriate approvals were given for the journal entry. • We also obtained and agreed to proof the supporting documentation for the journal entry to check if postings made are correct and are in the correct accounting period. **Key observations:** We have not identified any issues on the work we have performed regarding the Group's recognition of revenue that would indicate that revenue is materially misstated.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Materiality	**650,000**	456,400	**585,000**	410,700
Basis for determining materiality	5% of profit before tax adjusted for exceptional items (2022: 5% of profit before tax adjusted for exceptional items).		90% (2022: 90%) of Group materiality.	
Rationale for the benchmark applied	We considered adjusted profit before tax to be the most appropriate measure for the basis of materiality given the importance of underlying trading profit as a measure for users of the financial statements in assessing the performance of the Group.		Capped at 90% (2022: 90%) of group materiality. The component materiality used is lower than the materiality that we would otherwise have determined using a benchmark of 1.50% of gross assets. Materiality was therefore restricted to 90% Group materiality.	
Performance materiality	**455,000**	319,000	**410,000**	287,000
Basis for determining performance materiality **Rationale for the percentage applied for performance materiality**	70% (2022: 70%) of Group materiality, based on our overall risk assessment. In setting the level of performance materiality, we considered a number of factors including the control environment, our testing strategy, the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.		70% (2022: 70%) of Parent Company materiality, based on our overall risk assessment. In setting the level of performance materiality, we considered a number of factors including the control environment, our testing strategy, the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.	

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, based on a percentage of between 46% and 98% (2022: 70% and 90%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £300,000 to £640,000 (2022: £319,480 to £410,700). In the audit of each component, we further applied performance materiality levels of 70% (2022: 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated. We have set the materiality for all other components at 90% of the group's materiality, except for those with statutory reporting requirements. In these cases, we have applied the lower of either the statutory materiality or 90% of the group materiality.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £32,500 (2022: £22,820). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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.

Independent Auditor's Report (continued)

to the members of Warpaint London PLC

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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 year 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. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	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, 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's and the 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 Group or the Parent 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance, Audit Committee; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and considered the risk of fraud and non-compliance with applicable laws and regulations. These included but were not limited to the Companies Act 2006 (including section 172 and SECR), AIM listing rules, Corporate tax and VAT legislation in the jurisdictions in which the Group operates.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety at work Act, employment legislation and data protection legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Review of the Group's internal summary of claims and litigations and consultation with the Group's internal legal counsel.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management's capability to override controls and, as noted in our key audit matter, the appropriateness of revenue recognition around the year end where incentive might exist to accelerate (or decelerate) earnings.

Our procedures in respect of the above included the following:

- We considered management's estimates and judgements applied in the preparation of the financial statements throughout the audit, individually and in aggregate, to evaluate whether there were any indications of bias in the application of these judgements;
- Performed journal entry testing, focussing on journal entries containing defined characteristics and on large or unusual transactions based on our knowledge of the Group by agreeing to supporting documentation; and
- In response to the risk of fraud in revenue recognition we have performed the procedures set out in the key audit matters section of our report.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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 Parent Company's members, 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 Parent Company's members those matters we are required to state to them in an auditor's 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Hannah Pop

(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
London, UK
23 April 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2023

	Note	Year ended 31 December **2023** **£'000**	 2022 £'000
Revenue	2	**89,590**	64,058
Cost of sales	2	**(53,857)**	(40,724)
Gross profit		**35,733**	23,334
Administrative expenses	3,4	**(17,252)**	(15,367)
Analysed as:			
Adjusted profit from operations[1]		**18,802**	10,307
Amortisation	3,9	**(187)**	(1,995)
Exceptional items	3	**–**	(152)
Share based payments	21	**(134)**	(193)
Profit from operations		**18,481**	7,967
Finance expense	5	**(369)**	(281)
Finance income	5	**6**	4
Profit before tax		**18,118**	7,690
Tax expense	6	**(4,219)**	(1,440)
Profit for the year attributable to equity holders of the parent company		**13,899**	6,250
Other comprehensive income/(loss):			
Item that will or may be reclassified to profit or loss:			
Exchange gain/(loss) on translation of foreign subsidiary		**72**	(135)
Total comprehensive income attributable to equity holders of the parent company, net of tax		**13,971**	6,115

Basic earnings per share (pence)	26	**18.05**	8.14
Diluted earnings per share (pence)	26	**17.98**	8.11

Note 1 – Adjusted profit from operations is calculated as earnings before interest, taxation, amortisation of intangible assets, share based payments and exceptional items.

The notes on pages 57 to 84 form part of these financial statements.

Consolidated Statement of Financial Position
As at 31 December 2023

	Note	As at 31 December 2023 £'000	2022 £'000
Non-current assets			
Goodwill	8	**7,274**	7,274
Intangibles	9	**93**	277
Property, plant, and equipment	10	**1,245**	1,432
Right-of-use assets	11	**5,280**	5,659
Deferred tax assets	17	**592**	429
Total non-current assets		**14,484**	15,071
Current assets			
Inventories	12	**27,963**	18,715
Trade and other receivables	13	**13,529**	11,693
Cash and cash equivalents	14	**9,053**	5,865
Derivative financial instruments	23	**–**	8
Total current assets		**50,545**	36,281
Total assets		**65,029**	51,352
Current liabilities			
Trade and other payables	15	**(9,576)**	(5,988)
Lease liabilities	16	**(1,259)**	(1,015)
Corporation tax liability		**(2,501)**	(943)
Derivative financial instruments	23	**(518)**	(600)
Total current liabilities		**(13,854)**	(8,546)
Non-current liabilities			
Lease liabilities	16	**(4,190)**	(4,847)
Deferred tax liabilities	17	**(180)**	(180)
Total non-current liabilities		**(4,370)**	(5,027)
Total liabilities		**(18,224)**	(13,573)
NET ASSETS		**46,805**	37,779

The notes on pages 57 to 84 form part of these financial statements.

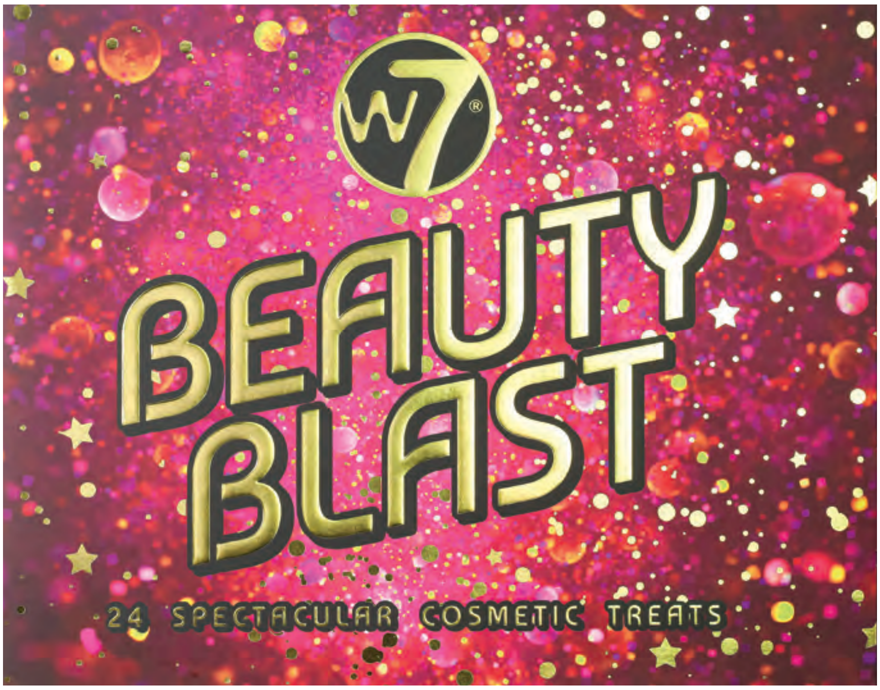
Consolidated Statement of Financial Position (continued)

As at 31 December 2023

	Note	As at 31 December 2023 £'000	2022 £'000
Equities			
Share capital	19	**19,314**	19,188
Share premium		**19,726**	19,360
Merger reserve		**(16,100)**	(16,100)
Foreign exchange reserve		**22**	(50)
Share option reserves	21	**594**	2,003
Retained earnings		**23,249**	13,378
TOTAL EQUITY		**46,805**	37,779

The financial statements of Warpaint London plc were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Neil Rodol
Chief Financial Officer
23 April 2024



The notes on pages 57 to 84 form part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2023

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Foreign exchange reserve £'000	Share option reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2022	19,188	19,360	(16,100)	85	1,810	11,810	36,153
Comprehensive income for the year							
Equity shares issued	–	–	–	–	–	–	–
On translation of foreign subsidiary	–	–	–	(135)	–	–	(135)
Profit for the year	–	–	–	–	–	6,250	6,250
Total comprehensive income for the year	**–**	**–**	**–**	**(135)**	**–**	**6,250**	**6,115**
Transactions with owners							
Share based payment charge	–	–	–	–	193	–	193
Dividends paid	–	–	–	–	–	(4,682)	(4,682)
Total transactions with owners	**–**	**–**	**–**	**–**	**193**	**(4,682)**	**(4,489)**
As at 31 December 2022	**19,188**	**19,360**	**(16,100)**	**(50)**	**2,003**	**13,378**	**37,779**
Comprehensive Income for the year							
Equity shares issued	126	366	–	–	–	–	492
On translation of foreign subsidiary	–	–	–	72	–	–	72
Transfer to the profit or loss reserve exercised share options	–	–	–	–	(130)	130	–
Transfer to the profit or loss reserve expired and lapsed share options	–	–	–	–	(1,627)	1,627	–
Corporation tax charge on share-based payments	–	–	–	–	214	–	214
Profit for the year	–	–	–	–	–	13,899	13,899
Total comprehensive income for the year	**126**	**366**	**–**	**72**	**(1,543)**	**15,656**	**14,677**
Transactions with owners							
Share based payment charge	–	–	–	–	134	–	134
Dividends paid	–	–	–	–	–	(5,785)	(5,785)
Total transactions with owners	**–**	**–**	**–**	**–**	**134**	**(5,785)**	**(5,651)**
As at 31 December 2023	**19,314**	**19,726**	**(16,100)**	**22**	**594**	**23,249**	**46,805**

The notes on pages 57 to 84 form part of these financial statements

Consolidated Statement of Cash Flows
for the year ended 31 December 2023

	Note	Year ended 31 December 2023 £'000	2022 £'000
Operating activities			
Profit before tax		**18,118**	7,690
Finance expense	5	**369**	281
Finance income	5	**(6)**	(4)
Amortisation of intangible assets	9	**187**	1,995
Depreciation of property, plant, and equipment	10	**662**	761
Depreciation on right of use assets	11	**1,111**	965
Loss on disposal of property, plant, and equipment		**40**	1
Share based payments	21	**134**	193
Increase in trade and other receivables		**(1,836)**	(1,370)
Increase in inventories	12	**(9,248)**	(576)
Increase/(decrease) in trade and other payables		**3,588**	(675)
Movement in deferred tax assets		**(51)**	(306)
Fair value (gain)/loss on derivative financial instruments		**(74)**	1,139
Foreign exchange translation differences		**(7)**	(26)
Cash generated from operations		**12,987**	10,068
Tax paid		**(2,569)**	(1,546)
Net cash flows from operating activities		**10,418**	8,522
Investing activities			
Purchase of intangible assets	9	**(3)**	(12)
Purchase of property, plant, and equipment	10	**(515)**	(831)
Net cash used in investing activities		**(518)**	(843)
Financing activities			
Lease payments	16	**(1,144)**	(836)
Proceeds from issued share capital		**492**	–
Lease liability interest	5	**(230)**	(185)
Interest paid	5	**(139)**	(96)
Interest received	5	**6**	4
Dividends	18	**(5,785)**	(4,682)
Net cash used in financing activities		**(6,800)**	(5,795)
Net increase in cash and cash equivalents		**3,100**	1,884
Cash and cash equivalents at beginning of period		**5,865**	4,072
Exchange gain/(loss) on cash and cash equivalents		**88**	(91)
Cash and cash equivalents at end of period	14	**9,053**	5,865
Cash and cash equivalents consist of:			
Cash and cash equivalents	14	**9,053**	5,865
		9,053	5,865

The notes on pages 57 to 84 form part of these financial statements.

Notes to the Consolidated Financial Statements
as at ended 31 December 2023

1. Significant accounting policies

Basis of preparation

The financial statements of Warpaint London PLC (the "Company" or "Warpaint") and its subsidiaries (together the "Group") for the year ended 31 December 2023 were authorised for issue by the board of directors on 23 April 2024.

Warpaint London PLC is a public limited Company incorporated and registered in England and Wales. Its registered office is Units B&C, Orbital Forty-Six, The Ridgeway Trading Estate, Iver, Buckinghamshire, SL0 9HW.

The Group's financial statements have been prepared in accordance in accordance UK adopted international accounting standards and in conformity with the requirements of the Companies Act. The functional currency of the parent and its subsidiaries is pounds sterling because that is the currency of the primary economic environment in which the Group operates. The financial statements are also presented in pounds sterling. All values are rounded to the nearest thousand (£'000) except where otherwise indicated.

The annual financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities which are carried at fair value or amortised cost as appropriate.

The preparation of financial statements in accordance with UK adopted international accounting standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The principal accounting policies adopted are set out below.

Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. All subsidiaries have a reporting date of December.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

On consolidation, the results of overseas operations are translated into pounds sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Going concern

The Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. This is based on a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of signing of these accounts. The Group made a statutory profit of £13.9 million in the year to 31 December 2023 (2022: £6.3 million) and had net current assets of £36.7 million at 31 December 2023 (2022: £27.7 million).

The Group occasionally makes use in its Retra Holdings Limited ("Retra") subsidiary of a £6.0 million bank facility that can be used for confidential invoice discounting, and a £3.5 million bank facility that can be used for stock finance, which is used if needed during the peak gift buying season. These facilities are ongoing without a fixed term. In addition, the Group has a £5.0 million (2022: £3.0 million) general purpose bank facility in its Warpaint Cosmetics (2014) Limited ("Warpaint Cosmetics") subsidiary which was agreed in March 2024. This facility will renew annually and was put in place to support the continued growth of the business. As at the year end £nil of the bank facilities were utilised and the Directors expect that in 2024 the facilities will only be used to modest levels well within the facility limits, to support the day to day working capital of the business. At the 2 April 2024 the company had cash of £7.5 million (31 March 2023: £8.5 million), no debt and had used £nil of its bank facilities (31 March 2022: No debt and £nil bank facilities were used).

The Directors have prepared forecasts covering the period to December 2025, built from the detailed Board-approved budget for 2024. The forecasts include a number of assumptions in relation to varying levels of sales revenue. Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment presents a number of challenges which could negatively impact the actual performance achieved. These challenges include, but are not limited to, achieving forecast levels of sales and order intake, the impact on customer confidence as a result of general economic conditions, achieving forecast margin improvements, supply side price inflation, increases in freight costs, and the director's ability to implement cost saving initiatives in areas of discretionary spend where required.

The Group's cash flow forecasts and projections, taking account of reasonable and possible changes in trading performance, offset by mitigating actions within the control of management including reductions in areas of discretionary spend, show that the Group will be able to operate comfortably through to the end of December 2025, and in Retra and Warpaint Cosmetics within the level of their own bank facility.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2022

1. Significant accounting policies (continued)

In preparing this analysis, a number of scenarios were modelled. The scenarios modelled were all based on varying levels of sales revenue, including one that assumes no growth for 2024 and 2025 as a reasonable downside scenario, and more extreme falls in revenue of up to 30% in both years as a worst-case scenario. In each scenario, mitigating actions within the control of management have been modelled. Under each of the scenarios modelled, the Group has sufficient cash to meet its liabilities as they fall due and consequently, the directors believe that the Group has sufficient financial strength to withstand the possible disruption to its activities.

Based on the above indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Revenue Recognition

Performance obligations and timing of revenue recognition

The Group's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

UK sales are recognised and invoiced to the customer once the goods have been delivered to the customer. Overseas sales are recognised and invoiced to the customer once the goods have been delivered to the customer or collected by the customer from the Group's warehouse according to the terms of sale. Online sales are recognised and invoiced to the customer once the goods have been delivered to the customer.

Customer loyalty

The Group operates a loyalty reward scheme for 'digital' customers where points are earned for products purchased online, with 10 points equivalent to £1. The Group accounts for loyalty points when redeemed as a sales discount on the sales transaction. A sales discount provision is recognised in the accounts in relation to points issued but not yet redeemed. When estimating this provision, the Group considers the likelihood that the customer will redeem the points. At the year-end there were 9.3 million points yet to be redeemed, leading to a provision of £18,568 (2022: 6.5 million points leading to a provision of £32,471).

Under IFRS 15, volume rebates and early settlement discounts represent variable consideration and is estimated and recognised as a reduction to revenue as performance obligations are satisfied. Management recognises revenue based on the amount of estimated rebate to the extent that revenue is highly probably of not reversing. Management monitors this estimate at each reporting date and adjusts it as necessary.

Determining the transaction price

Most of the group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. Exceptions are as follows:

- Some contracts provide customers with a limited right of return. These relate predominantly, but not exclusively, to online sales direct to consumers and sales made to certain large retailers. Historical experience enables the group to estimate reliably the value of goods that will be returned and restrict the amount of revenue that is recognised such that it is highly probable that there will not be a reversal of previously recognised revenue when goods are returned.
- Variable consideration relating to volume rebates has been considered in estimating revenue in order that it is highly probable that there will not be a future reversal in the amount of revenue recognised when the amount of volume rebates has been determined.

Allocating amounts to performance obligations

For most contracts, there is a fixed unit price for each product sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered). Where a customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

Practical Exemptions

The group has taken advantage of the practical exemptions:

- not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less; and
- expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

Expenditure and provisions

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists relating to a past event and where the amount of the obligation can be reliably estimated.

Retirement Benefits: Defined contribution schemes

Contributions to defined contribution schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Exceptional items and Alternative Performance Measures

Exceptional items which have been disclosed separately on the face of the Consolidated Statement of Comprehensive Income in order to summarise the underlying results. Exceptional items in 2022 relate to a royalty claim and associated legal fees. Neither 'underlying profit or loss' nor 'exceptional items' are defined by IFRS however the directors believe that the disclosures presented in this manner provide a clearer presentation of the underlying financial performance of the Group.

Alternative performance measures (APM's) are used by the Board to assess the Group's performance and are applied consistently from one period to the next. They therefore provide additional useful information for shareholders on the underlying performance and position of the Group. Additionally, adjusted profit from operations is used to determine adjusted EPS which is used as a key performance indicator for the Long-Term Incentive Plan (LTIP) and the Company Share Option Scheme (CSOP). These measures are not defined by IFRS and are not intended to be a substitute for IFRS measures. The Group presents underlying profit from operations, profit before tax and EPS which are calculated as the statutory measures stated before non-underlying items, including exceptional items, amortisation of intangible assets and share-based payments where applicable.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2023

1. Significant accounting policies (continued)

Underlying results are used in the day-to-day management of the Group. They represent statutory measures adjusted for items which could distort the understanding of performance and comparability year on year. Non-underlying items include the amortisation of intangible assets, exceptional items and share-based payments. Exceptional items are those items which the group consider to be significant in nature and not in the normal course of business or are consistent with items that were treated as exceptional in prior periods.

Intangible assets

Patents

Patents are used by the Group in order to generate future economic value through normal business operations. Patents are acquired separately and carried at cost less amortisation and impairment. The underlying assets are amortised over the period from which the Group expects to benefit, which is typically between five to ten years.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Amortisation is provided on Licences and Website costs so as to write off the carrying value over the expected useful economic life of five years.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation is provided on customer lists and brands so as to write off the carrying value over the expected useful economic life of five years. Other details of the acquisition are detailed in note 9.

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed, and equity instruments issued, plus the amount of any non-controlling interests in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss.

Goodwill is considered to have an indefinite useful economic life and is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Impairment of non-financial assets (excluding inventories and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives. It is provided at the following rates:

Plant and machinery	- 25% reducing balance or 20% straight line
Fixtures and fittings	- 25% reducing balance or 20% straight line
Computer equipment	- 25% reducing balance or 33.33% straight line
Motor vehicles	- 20% straight line

Right-of-Use Assets

Right-of-use assets are measured at cost, which is made up of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the asset at the end of the lease, less any lease incentives received.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group also assesses the right-of-use asset for impairment when such indicators exist.

The right-of-use assets are included in a separate line within non-current assets on the Consolidated Balance Sheet.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2023

1. Significant accounting policies (continued)

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-money derivatives classified as liabilities). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12- month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available and has been adopted by the Group. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's financial assets measured at amortised cost comprise trade and other receivables, and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value (see "Financial assets" for in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items:

- Bank loans which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate.

- Trade payables, other borrowings and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, through the use of foreign exchange rate forward contracts.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of 12 months or less.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2023

1. Significant accounting policies (continued)

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Nature of leasing activities (in the capacity as lessee)

The group leases a number of properties in the jurisdictions from which it operates with a fixed periodic rent over the lease term. The group has a total of 7 property leases.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of comprehensive income and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the combined statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2023

1. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of the cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officers, Managing Director and the Chief Financial Officer.

The Board considers that the Group's project activity constitutes the two operating and two reporting segments presented in Note 2, as defined under IFRS 8. Management reviews the performance of the Group by reference to total results against budget.

The total profit measures are operating profit and profit for the year, both disclosed on the face of the combined income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group financial information.

Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares and shares in employee benefit trusts, determined in accordance with the provisions of IAS 33 earnings per Share. Diluted earnings per share is calculated by dividing earnings attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year adjusted for the potentially dilutive ordinary shares.

Share Capital

The Group's ordinary shares are classified as equity instruments.

Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are considered by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid to the shareholders. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

Changes in accounting policies

New standards, interpretations and amendments that are effective for the first time for the financial year beginning 1 January 2023.

IFRS 4	Amendments regarding the expiry date of the deferral approach
IFRS 17	Insurance contracts
IFRS 17	Amendments regarding comparative information for initial application of IFRS 17 and IFRS 9
IAS 1	Amendments regarding disclosure of accounting policies
IAS 8	Amendments regarding the definition of accounting estimates
IAS 12	Amendments resulting from deferred tax assets and liabilities arising from a simple transaction

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2023

1. Significant accounting policies (continued)

New standards, interpretations and amendments effective from 1 January 2024.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB and adopted by the EU but are not yet effective and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

		Effect annual periods beginning before or after
IFRS 16	Amendments to clarify seller-lessee subsequently measured sale and leaseback transactions	1st January 2024
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	1st January 2024
IFRS S2	Climate-related Disclosures	1st January 2024
IFRS 7	Amendments regarding supplier finance arrangements	1st January 2024
IAS 1	Amendments regarding to the classification of liabilities with covenants as either current or non-current	1st January 2024
IAS 7	Amendments regarding supplier finance arrangements	1st January 2024

Critical accounting judgements and key sources of estimation uncertainty

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key sources of estimation uncertainty

a) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of the cost and net realisable value. There is judgement involved in assessing the level of inventory provision required in respect of slow-moving inventory. Inventory is carried at a value of £27.9 million at the year end.

The Group makes a 50% provision for perishable items of stock that are greater than two years old. Should the Group increase the provision to 100% of perishable items that are greater than two years old, this would decrease profit by £0.27 million. The Group does not provide any provision on its non-perishable goods that are greater than two years old on the basis that the products have long shelf life. Should the Group increase the provision to 100% of non-perishable items that are greater than two years old, this would decrease profit by £0.04 million.

b) Valuation of goodwill

The assessment of the recoverable amount of goodwill allocated to Retra Holdings Limited, Marvin Leeds Marketing Services, Inc. and Treasured Scents Limited, as detailed in note 9, was based on fair value less costs to sell and value in use calculations which involved judgements over the assumptions applied. For Retra Holdings Limited, a 5% increase in the discount rate from 7.6% to 12.6% would reduce the value in use by approximately £66 million leaving headroom of £64 million above the carrying value. For Marvin Leeds Marketing Services, Inc., a 5% increase in the discount rate from 7.5% to 12.5% would reduce the value in use by approximately £12.6 million leaving headroom of £11.7 million above the carrying value. For Treasured Scents Limited, a 5% increase in the discount rate from 7.6% to 12.6% would reduce the value in use by approximately £5.6 million leaving headroom of £5.9 million above the carrying value. None of these scenarios would therefore result in any impairment of the goodwill.

Critical accounting judgements

c) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2023

2. Segmental information

For management purposes, the Group is organised into two operating segments; Branded and Close-out. The segment 'Branded' relates to the sale of own branded products whereas 'Close-out' relates to the purchase of third-party stock which is then repackaged for sale. These segments are the basis on which the Group reports internally to the Board. The executive directors Sam Bazini, Eoin Macleod and Neil Rodol together with members from the Groups senior management teams are the chief operating decision makers of the whole business.

Year ended 31 December	2023 Own Brand £'000	2023 Close-out £'000	2023 Total £'000	2022 Own Brand £'000	2022 Close-out £'000	2022 Total £'000
Revenue	87,068	2,522	89,590	60,288	3,770	64,058
Cost of sales	(52,341)	(1,516)	(53,857)	(38,327)	(2,397)	(40,724)
Gross profit	34,727	1,006	35,733	21,961	1,373	23,334
Administrative expenses	(16,765)	(487)	(17,252)	(14,319)	(896)	(15,215)
Exceptional items	–	–	–	(143)	(9)	(152)
Segment result	17,962	519	18,481	7,499	468	7,967
Reconciliation of segment result to profit before tax:						
Segment result	17,962	519	18,481	7,499	468	7,967
Finance Income	6	–	6	4	–	4
Finance expense	(369)	–	(369)	(281)	–	(281)
Profit before tax	17,599	519	18,118	7, 222	468	7,690
Analysis of total revenue by geographical market:						
UK	30,097	2,308	32,405	24,277	3,287	27,564
Europe – Other	8,213	11	8,224	6,942	13	6,955
Europe – Spain	11,223	82	11,305	8,005	194	8,199
Europe – Denmark	25,499	28	25,527	12,822	98	12,920
Rest of World – USA	7,213	93	7,306	5,163	178	5,341
Rest of World – Australia and New Zealand	3,067	–	3,067	1,565	–	1,565
Rest of World – Other	1,756	–	1,756	1,514	–	1,514
Total	87,068	2,522	89,590	60,288	3,770	64,058

During the year ended 31 December 2023, revenues of approximately £23.2 million (2022: £11.2 million) were derived from a single external customer based in Denmark (25.9%; 2022: 17.5%).

The Directors are not able to attribute the Group's assets and liabilities by reportable business segment.

Analysis of non-current assets by geographical market.

Year ended 31 December	2023 UK £'000	2023 USA £'000	2023 Total £'000	2022 UK £'000	2022 USA £'000	2022 Total £'000
Goodwill	6,720	554	7,274	6,720	554	7,274
Customer lists	–	–	–	–	160	160
Brand	–	3	3	–	3	3
Patents	83	–	83	105	–	105
Website	7	–	7	9	–	9
Property, plant and equipment	1,239	6	1,245	1,427	5	1,432
Right of use assets	5,214	66	5,280	5,624	35	5,659
	13,263	629	13,892	13,885	757	14,642

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2023

3. Operating profit

Operating profit for the period is stated after charging/(crediting):

	Year ended 31 December	
	2023	2022
	£'000	£'000
Foreign exchange loss/(gain)	**433**	(133)
Depreciation	**662**	761
Amortisation of right-of-use assets	**1,111**	965
Amortisation of intangible assets	**187**	1,995
Exceptional costs	**–**	152
Staff costs (note 4)	**8,115**	6,942
Write off/(back) of inventories	**13**	(151)
Inventories recognised as an expense (note 12)	**45,900**	35,087

The expenditure incurred within the table above falls wholly within Administrative expenses.

Exceptional costs

	Year ended 31 December	
	2023	2022
	£'000	£'000
Royalty claim and associated legal fees	**–**	152
	–	152

During the year ended 31 December 2022 the Group agreed a settlement regarding a dispute with a third party relating to the historic use of content on the Group's social media platforms in the period from 2018 through to early 2021. The total settlement including associated legal costs was £0.52 million, of which £0.37 million was provided for in the year to 31 December 2021. The payment and the restriction of content use will not affect the ongoing operations of the Group's businesses.

Auditor's Remuneration

Analysis of auditor's remuneration is as follows:

	Year ended 31 December	
	2023	2022
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Group's annual accounts	**99**	91
Fees payable to the Company's auditor for the audit of subsidiary companies	**142**	106
Total audit fees	**241**	197
Tax advice	**16**	15
Other assurance	**–**	3
Total non-audit fees	**16**	18

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2023

4. Staff costs

	Year ended 31 December 2023 £'000	2022 £'000
Wages and salaries	**7,130**	6,103
Social security costs	**863**	738
Pension costs (note 24)	**122**	101
	8,115	6,942

The average monthly number of employees during the period was as follows:

	Year ended 31 December 2023 No.	2022 No.
Directors	**7**	7
Administrative	**24**	24
Finance	**12**	9
Warehouse	**65**	58
Sales	**14**	13
New Product Development and PR	**19**	14
	141	125

	2023 £'000	2022 £'000
Directors' remuneration, included in staff costs		
Salaries	**1,273**	985
Share based payments (note 21)	**75**	125
Benefits	**27**	23
Pension contributions	**2**	2
	1,377	1,135

Remuneration in respect of Directors was as follows:

	Salary/fees and bonus £'000	Share based payment £'000	Benefits £'000	Pension contribution £'000	2023 £'000
Executive Directors					
S Bazini	375	–	15	–	**390**
E Macleod	375	–	12	–	**387**
N Rodol	298	50	–	1	**349**
S Craig	68	1	–	1	**70**
P Hagon*	42	24	–	–	**66**
Non-executive Directors					
C Garston	69	–	–	–	**69**
K Sadler	46	–	–	–	**46**
J Collier**	–	–	–	–	**–**
	1,273	**75**	**27**	**2**	**1,377**

* Shares granted to consultancy company Ward & Hagon Management Consulting LLP, of which director Paul Hagon is a member.

** Appointed 1 September 2021 and resigned 31 December 2022.

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2023

4. Staff costs (continued)

	Salary/fees and bonus £'000	Share based payment £'000	Benefits £'000	Pension contribution £'000	2022 £'000
Executive Directors					
S Bazini	260	27	13	–	300
E Macleod	260	27	10	–	297
N Rodol	212	50	–	1	263
S Craig	63	1	–	1	65
P Hagon*	40	20	–	–	60
Non-executive Directors					
C Garston	66	–	–	–	66
K Sadler	44	–	–	–	44
J Collier**	40	–	–	–	40
	985	**125**	**23**	**2**	**1,135**

* Shares granted to consultancy company Ward & Hagon Management Consulting LLP, of which director Paul Hagon is a member.

** Appointed 1 September 2021 and resigned 31 December 2022.

Directors' interests in share options for year ended 31 December 2023

As at 31 December 2023, the following Directors held the following performance related share awards (Enterprise Management Incentive Scheme Options, or CSOPs) over ordinary shares of 25p each under the Warpaint London plc Enterprise Management Incentive Scheme and the Warpaint London plc Company Share Option Plan. For details of the share option schemes see Note 21 in the Financial Statements.

	Type of Share Award	Date of Grant	**Number of Shares at 31 December 2023**	Exercise Price	End of Performance Period/First Exercise Date	Number of Shares at 31 December 2022 (or date of appointment if later)
S Bazini	LTIP	21.09.2018	**–**	254.5p	31.12.2022	1,534,986
E Macleod	LTIP	21.09.2018	**–**	254.5p	31.12.2022	1,534,986
N Rodol	EMI	29.06.2017	**–**	237.5p	29.06.2020	105,262
	LTIP	21.09.2018	**–**	254.5p	31.12.2022	306,996
	EMI (Non-Qualifying)	24.05.2021	**225,410**	122.0p	24.05.2024	225,410
	CSOP	24.05.2021	**24,590**	122.0p	24.05.2024	24,590
	CSOP	24.11.2023	**9,230**	325.0p	24.11.2026	–
	EMI (Non-Qualifying)	24.11.2023	**110,770**	325.0p	24.11.2026	–
S Craig	EMI	29.06.2017	**10,000**	237.5p	29.06.2020	10,000
	CSOP	24.11.2023	**10,000**	325.0p	24.11.2026	–
	CSOP	20.05.2020	**10,000**	49.5p	20.05.2023	10,000
P Hagon	EMI (Non-Qualifying)	01.03.2022	**200,000**	127.5p	01.03.2025	200,000*
C Garston	–	–	**–**	–	–	–
K Sadler	–	–	**–**	–	–	–
J Collier**	–	–	**–**	–	–	–

* Shares granted to consultancy company Ward & Hagon Management Consulting LLP, of which director Paul Hagon is a member.

** Appointed 1 September 2021 and resigned 31 December 2022.

The Directors of the Group are the only key management personnel.

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2023

5. Finance income and finance expenses

	Year ended 31 December	
	2023	2022
	£'000	£'000
Finance income		
Interest received	**6**	4
	6	4
Finance expenses		
Lease liability interest (note 16)	**(230)**	(185)
Other interest relating to trade finance facilities	**(139)**	(96)
	(369)	(281)

6. Income tax

	Year ended 31 December	
	2023	2022
	£'000	£'000
Current tax expense		
Current tax on profits for the period	**4,245**	1,817
	4,245	1,817
Deferred tax expense		
Origination and reversal of temporary differences	**(26)**	(377)
Total tax expense	**4,219**	1,440

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profit for the year before tax as follows:

	Year ended 31 December	
	2023	2022
	£'000	£'000
Profit for the period before taxation	**18,118**	7,690
Expected tax charge based on UK effective corporation tax rate of 23.5% (2022: 19% UK standard rate)	**4,258**	1,461
Expenses/(Income)/ not deductible/(allowable)	**20**	(11)
Other adjustments	**(74)**	(41)
Different tax rates applied in overseas jurisdiction	**18**	31
Differences due to an increase in tax rate	**23**	–
Movement in deferred tax	**(26)**	–
Total tax expense	**4,219**	1,440

The standard rate of UK corporation tax changed from 19% to 25% on 1 April 2023. (2022: 19.0%).

The Group's effective tax rate for the year is 23.29% (2022: 18.73%).

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2023

7. Subsidiaries

At the period end, the Group has the following subsidiaries:

Subsidiary name	Nature of business	Place of incorporation	Percentage owned
Warpaint Cosmetics Group Limited	Holding company	England and Wales	100%
Warpaint Cosmetics (2014) Limited*	Wholesaler	England and Wales	100%
Treasured Scents (2014) Limited	Holding company	England and Wales	100%
Treasured Scents Limited*	Dormant	England and Wales	100%
Warpaint Cosmetics Inc.	Holding company	U.S.A.	100%
Retra Holdings Limited	Holding company	England and Wales	100%
Badgequo Limited*	Wholesaler	England and Wales	100%
Retra Own Label Limited*	Dormant	England and Wales	100%
Badgequo Hong Kong Limited*	Supply chain management	Hong Kong	100%
Jinhua Badgequo Cosmetics Trading Co., Ltd*	Wholesaler	People's Republic of China	100%
Marvin Leeds Marketing Services, Inc.*	Wholesaler	U.S.A.	100%
Warpaint Cosmetics (ROI) Limited	Wholesaler	Republic of Ireland	100%
Beaute Sales EU Limited	Dormant	England & Wales	100%

* indicates indirect interest

All entities detailed above have been in existence for the whole of the reporting period, except for Beaute Sales EU Limited which was incorporated on the 27th of January 2023.

The registered office for all UK incorporated subsidiaries is Units B&C, Orbital Forty-Six, The Ridgeway Trading Estate, Iver, Bucks. SL0 9HW.

The registered office for Warpaint Cosmetics Inc. is 445 Northern Boulevard – Great Neck, New York 11021.

The registered office for Badgequo Hong Kong Limited is 12F, 3 Lockhart Road, Wanchai, Hong Kong.

The registered office for Jinhua Badgequo Cosmetics Trading Co. Ltd is Room 1401, Gongyuan Building No. 307 South Shuanglong Street, Wucheng District, Jinhua, Zhejiang, China 321000.

The registered office for Marvin Leeds Marketing Services, Inc. is 34W. 33rd St. – Suite 301, New York NY 10001.

The registered office for Warpaint Cosmetics (ROI) Limited is 6th Floor, South Bank House, Barrow Street, Dublin 4, D04 TR29.

The registered office for Beaute Sales EU Limited is Units 3 & 4 Zodiac Business Park, High Road, Cowley, Uxbridge, UB8 2GU.

8. Goodwill

	£'000
Cost	
At 1 January 2022, 31 December 2022 and 31 December 2023	8,086
At 31 December 2023	**8,086**
Impairment	
At 1 January 2022, 31 December 2022 and 31 December 2023	812
Net book value	
At 31 December 2023	**7,274**
At 31 December 2022	7,274

Goodwill represents the excess of consideration over the fair value of the Group's share of the net identifiable assets of the acquired business/CGU at the date of acquisition. The carrying value at 31 December 2023 includes Treasured Scents (2014) Limited ("TS2014") (the Close-out business) of £513,000, Retra Holdings Limited £6,207,000 and Marvin Leeds Marketing Services, Inc. £554,000.

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2023

8. Goodwill (continued)

Impairment is calculated by comparing the carrying amounts to the recoverable amount being the higher of value in use derived from discounted cash flow projections or the fair value less costs to sell. A CGU is deemed to be an individual division, and these have been grouped together into similar classes for the purpose of formulating operating segments as reported in Note 2. The discount rate for the CGU has been calculated using various assumptions to arrive at the Weighted Average Cost of Capital ("WACC"). The WACC has been calculated by weighting the required returns of interest bearing debt and common equity in line with an estimate split of the capital structure. Value in use calculations are based on a discounted cash flow model ("DCF") for the subsidiary, which discounts expected cash flows over a five-year period using a pre-tax discount rate of 7.6% (2022: 13.3%) for Retra Holdings Limited and 7.5% (2022: 10.4%) for Marvin Leeds Marketing Services, Inc. and 7.6% for TS2014 (2022: 13.3%). Cash flows beyond the five-year period are extrapolated using a long-term average growth rate of 2.0% (2022: 2.0%). The average growth rate beyond the five-year period is lower than current growth rates and is in line with Management's expectations for the business.

The fair value less costs to sell was based on a multiple of earnings less estimated costs to sell. Management have performed the annual impairment review as required by IAS 36 and have concluded that no impairment is indicated for TS2014, Retra Holdings Limited ("Retra") or Marvin Leeds Marketing Services, Inc. ("LMS") as the recoverable amounts exceeds the respective carrying values.

Key assumptions and sensitivity to changes in assumptions

The key assumptions are based upon management's historical experience. The calculation of VIU is most sensitive to the following assumptions:

- Sales and gross margin – for LMS this is based on forecasts incorporating a compound annual growth rate of 15% revenue over the next five years. For Retra, the compound annual growth rate over the next five years is anticipated to be 9% to 13%. For Treasured Scents the compound annual growth rate over the next five years is anticipated to be 2.5%. The gross margins for LMS, Retra and Treasured Scents are based on historical rates achieved.
- Administrative expenses are expected to increase by 10% in LMS, 4% in Retra and decrease by 5% in Treasured Scents.
- Growth Rate – used to extrapolate beyond the budget period and for terminal values based on a long-term average growth rate of 2.0%.

Sensitivity to changes in assumptions

The impairment review of the Group is sensitive to changes in the key assumptions, most notably the pre-tax discount rate, the terminal growth rate, the projected operating cash flows. Reasonable changes to these assumptions are considered to be:

- 5.0% increase in the pre-tax discount rate;
- reduction in the terminal growth rate to 1%; and
- 10.0% reduction in projected operating cash flows.

Reasonable changes to the assumptions used, considered in isolation, would not result in an impairment of goodwill for LMS, Retra or TS2014.

9. Intangible assets

	Brands £'000	Customer lists £'000	Patents £'000	Website £'000	Licences £'000	Total £'000
Cost						
At 1 January 2022	3,802	8,240	267	45	6	12,360
Additions	–	1	3	8	–	12
At 31 December 2022	3,802	8,241	270	53	6	12,372
Additions	–	–	3	–	–	3
Disposals	–	–	(29)	(4)	–	(33)
At 31 December 2023	**3,802**	**8,241**	**244**	**49**	**6**	**12,342**
Accumulated amortisation						
At 1 January 2022	3,115	6,798	140	41	6	10,100
Charge for the year	684	1,283	25	3	–	1,995
At 31 December 2022	3,799	8,081	165	44	6	12,095
Charge for the year	–	160	25	2	–	187
Amortisation on disposals	–	–	(29)	(4)	–	(33)
At 31 December 2023	**3,799**	**8,241**	**161**	**42**	**6**	**12,249**
Net book value						
At 31 December 2023	**3**	**–**	**83**	**7**	**–**	**93**
At 31 December 2022	3	160	105	9	–	277

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2023

10. Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Costs					
At 1 January 2022	1,027	2,231	367	120	3,745
Additions	301	409	91	30	831
Disposals	–	(349)	(3)	(72)	(424)
Foreign exchange gain/(loss)	(37)	–	16	–	(21)
At 31 December 2022	1,291	2,291	471	78	4,131
Additions	146	221	148	–	515
Disposals	–	(749)	–	–	(749)
Foreign exchange loss	–	(2)	(1)	–	(3)
At 31 December 2023	**1,437**	**1,761**	**618**	**78**	**3,894**
Accumulated depreciation					
At 1 January 2022	760	1,195	290	115	2,360
Charge for year	181	538	37	5	761
Disposals	–	(349)	(1)	(72)	(422)
At 31 December 2022	941	1,384	326	48	2,699
Charge for year	108	492	56	6	662
Disposals	–	(709)	–	–	(709)
Foreign exchange loss	–	(2)	(1)	–	(3)
At 31 December 2023	**1,049**	**1,165**	**381**	**54**	**2,649**
Net book value					
At 31 December 2023	**388**	**596**	**237**	**24**	**1,245**
At 31 December 2022	350	907	145	30	1,432

11. Right-of-use assets

	Leasehold property £'000	Computer equipment £'000	Total £'000
Costs			
At 1 January 2022	5,049	77	5,126
Additions	3,551	–	3,551
At 31 December 2022	8,600	77	8,677
Additions	732	–	732
Disposals	(334)	–	(334)
At 31 December 2023	**8,998**	**77**	**9,075**
Accumulated amortisation			
At 1 January 2022	1,976	77	2,053
Charge for the year	965	–	965
At 31 December 2022	2,941	77	3,018
Charge for the year	1,111	–	1,111
Disposals	(334)	–	(334)
At 31 December 2023	**3,718**	**77**	**3,795**
Net Book Value			
At 31 December 2023	**5,280**	**–**	**5,280**
At 31 December 2022	5,659	–	5,659

The weighted average incremental borrowing rate applied to measure lease liabilities is 4.10% (2022: 3.99%) for leasehold property.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2023

12. Inventories

	As at 31 December	
	2023	2022
	£'000	£'000
Finished goods	**28,341**	19,080
Provision for impairment	**(378)**	(365)
	27,963	18,715

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £45.9 million in the year ended 31 December 2023 (2022: £35.1 million).

The cost of inventories recognised as an expense includes a write down of inventory to net realisable value of £13,000 (2022: £151,000 write back).

13. Trade and other receivables

	As at 31 December	
	2023	2022
	£'000	£'000
Trade receivables – gross	**10,997**	9,935
Provision for impairment of trade receivables	**(129)**	(70)
Trade receivables – net	**10,868**	9,865
Other receivables	**397**	213
Prepayments and accrued income	**2,264**	1,615
Total	**13,529**	11,693

The directors consider that the carrying values of trade and other receivables measured at book value and amortised cost approximates to their fair value.

The individually impaired receivables relate to the supply of goods to customers. A provision is recognised for amounts not expected to be recovered. Movements in the accumulated impairment losses on trade receivables were as follows:

	As at 31 December	
	2023	2022
	£'000	£'000
Accumulated impairment losses at 1 January	**70**	66
Additional impairment losses recognised during the year, net	**101**	4
Amounts written off during the year as uncollectible	**(42)**	–
Accumulated impairment losses at 31 December	**129**	70

The impairment losses recognised during the year are net of a credit of £Nil (2022: £9,000) relating to the recovery of amounts previously written off as uncollectable.

Contract Liabilities

	As at 31 December	
	2023	2022
	£'000	£'000
At 1 January	**243**	219
Amounts included in contract liabilities that was recognised as revenue during the period	**503**	525
Amounts settled during the period	**(469)**	(501)
At 31 December	**277**	243

Contract liabilities are included within "trade and other receivables" in the face of the statement of financial position being settled net of the trade debtor balances. They arise from the group's own brand segment, which enter into contracts with customers for early settlement discounts, marketing contributions and volume rebates, because the invoiced amounts to customers at each balance sheet date do not consider the amount or rebate and discounts the customers are entitled to until settlement of the debtor balance at a certain time.

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2023

14. Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	As at 31 December	
	2023	2022
	£'000	£'000
Cash at bank and in hand	**9,053**	5,865
	9,053	5,865

15. Trade and other payables

	As at 31 December	
	2023	2022
	£'000	£'000
Current		
Trade payables	**1,892**	1,368
Social security and other taxes	**1,355**	1,294
Other payables	**86**	101
Accruals	**6,243**	3,225
Total	**9,576**	5,988

The directors consider that the carrying values of trade and other payables measured at book value and amortised cost approximates to their fair value.

16. Lease liabilities

	As at 31 December	
	2023	2022
	£'000	£'000
Lease liabilities		
Repayable within 1 year	**1,259**	1,015
Repayable within 2 – 5 years	**3,227**	3,498
Repayable in more than 5 years	**963**	1,349
	5,449	5,862

Undiscounted lease payments

	As at 31 December	
	2023	2022
	£'000	£'000
Lease liabilities		
Repayable within 1 year	**1,459**	1,200
Repayable within 2 – 5 years	**3,673**	4,027
Repayable in more than 5 years	**1,031**	1,465
Total	**6,163**	6,692

Lease liabilities

	As at 31 December	
	Leasehold property	**Total**
	£'000	**£'000**
At 1 January 2022	3,147	3,147
Lease additions	3,551	3,551
Interest expense	185	185
Lease payments	(1,021)	(1,021)
Prior period adjustment	–	–
As at 31 December 2022	5,862	5,862
Lease additions	731	731
Interest expense	230	230
Lease payments	(1,374)	(1,374)
As at 31 December 2023	**5,449**	**5,449**

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2023

16. Lease liabilities (continued)

Nature of lease liabilities
The group leases a number of properties in the United Kingdom and United States of America.

The interest rates expected are as follows:

	As at 31 December	
	2023	2022
	%	%
Invoice financing	**7.24**[1]	5.49[1]

Note 1: Base rate + 1.99%

17. Deferred tax
Deferred tax is calculated in full on temporary differences under the liability method using tax rate of 25%.

The movement on the deferred tax account is as shown below:

	Deferred tax liability Year ended 31 December		Deferred tax asset Year ended 31 December	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
Opening balance	**(180)**	(557)	**429**	500
Foreign exchange adjustment	**–**	–	**–**	(71)
Recognised in profit and loss:				
Release of deferred tax on intangible assets	**(115)**	–	**–**	–
Deferred tax on share based payment recognised in the income statement	**–**	–	**100**	–
Deferred tax on share-based payments recognised in the share option reserve	**–**	–	**214**	–
Tax expense	**115**	377	**(74)**	–
Adjustment in respect of previous periods	**–**	–	**(77)**	–
Closing balance	**(180)**	(180)	**592**	429

The deferred tax liability has arisen due to the timing difference on accelerated capital allowances amounting to £115,000 (2022: £65,000) and on the intangible assets acquired in a business combination amounting to £Nil (2022: £115,000).

The deferred tax asset has arisen from loss carry forward for LMS amounting to £1,451,944 (2022: £1,716,000) and recognised at a rate of 21% and from share options amounting to £314,000, of which £214,000 has been recognised in the share option reserve, in the Statement of Changes in Equity.

18. Dividends

Year to December 2023	Paid	Amount per share	Total £'000
Final dividend – 2022	04 July 23	4.5p	3,471
Interim dividend – 2023	24 Nov 23	3p	2,314
			5,785

Year to December 2022	Paid	Amount per share	Total £'000
Final dividend – 2021	05 July 22	3.5p	2,686
Interim dividend – 2022	25 Nov 22	2.6p	1,996
			4,682

The Group has proposed a final dividend for the year ended 31 December 2023 of 6p per share.

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2023

19. Called up share capital

	No. of shares '000	£'000
Allotted and issued		
Ordinary shares of £0.25 each:		
At 1 January 2022 and 31 December 2022	76,752	19,188
Issued at 6 June 2023	376	94
Issued at 9 October 2023	24	6
Issued at 21 November 2023	105	26
At 31 December 2023	**77,257**	**19,314**

On 6th June 2023, the Company issued 375,633 equity shares with par value of £0.25 per share for £0.495 per share. The entire amount was paid in cash. No shares were allotted other than for cash.

On 9th October 2023, the Company issued 23,578 equity shares with par value of £0.25 per share for £2.375 per share. The entire amount was paid in cash. No shares were allotted other than for cash.

On 21st November 2023, the Company issued 105,262 equity shares with par value of £0.25 per share for £2.375 per share. The entire amount was paid in cash. No shares were allotted other than for cash.

All ordinary shares carry equal rights.

20. Reserves

Share premium

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses incurred by the Company.

Retained earnings

Retained earnings represent cumulative profits or losses, net of dividends and other adjustments.

Merger reserve

The merger reserve arose due to the group reconstruction in 2016. The effect of the application of merger accounting principles on the merger reserve is that the share capital and other distributable reserves that existed in Warpaint Cosmetics Group Limited (the Company) as at the point Warpaint London PLC legally acquired Warpaint Cosmetics Group Limited is accounted for as if it had been in existence as at 31 December 2015 and as at 1 January 2015. The corresponding entry being the merger reserve so the overall net assets as at the comparative dates are not affected.

Share option reserves

'Share option reserves' have arisen from the share-based payment charge. The shares over which the options were issued are that of the parent company. 'Other reserves' have also arisen on translation of foreign subsidiaries.

21. Share based payments

Movements in the number of options and their weighted average exercise prices are as follows:

	Weighted average exercise price (pence) 2023	**Number of options 2023**	Weighted average exercise price (pence) 2022	Number of options 2022
Outstanding at the beginning of the year	**222.20**	**5,069,514**	226.00	4,860,830
Granted during the year	**325.00**	**808,500**	127.95	220,000
Exercised	**97.80**	**(501,473)**	–	–
Expired and lapsed during the year	**253.31**	**(3,861,304)**	55.40	(26,842)
Other adjustments	**–**	**–**	80.09	15,526
Outstanding at the end of the year	**237.94**	**1,515,237**	222.20	5,069,514

The weighted average remaining contractual life of the options is 7.39 years (2022: 1.34 years).

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2023

21. Share based payments (continued)

The following options over ordinary shares have been granted by the Company:

	Exercise price Pence	Exercise period (years)	Number of options
29 June 2017	237.50	3	96,737
20 May 2020	49.50	3	10,000
25 May 2021	122.00	3	400,000
01 March 2022	127.50	3	200,000
24 November 2023	**325.00**	**3**	**808,500**

At the date of grant, the options were valued using the Black-Scholes option pricing model. The fair value of options granted and the assumptions used in the calculations were as follows:

	24 Nov 23	01 Mar 22	25 May 21	20 May 20	29 June 17
Expected volatility	**40%**	54%	78%	76%	64%
Expected life (years)	**3**	3	3	3	3
Risk-free interest rate	**4.35%**	0.99%	0.15%	0.01%	0.38%
Expected dividend yield	**1.79%**	4.94%	1.76%	2.08%	2%
Fair value per option (£)	**0.918**	0.354	0.552	0.213	0.963

On 29 June 2017, the Company granted in aggregate over 277,788 ordinary shares of 25 pence each in the Company under the Enterprise Management Incentive Scheme to all staff members, including the Company's Chief Financial Officer, Neil Rodol, but excluding all other directors. The Options are exercisable for a period of seven years from 29 June 2020 (three years after the grant date), subject to certain performance conditions being met, including that the compound annual growth rate in the Company's earnings per share must exceed 8 per cent over the three financial years commencing 1 January 2017, subject to the discretion of the Company's remuneration committee.

On 20 May 2020, the Company granted, in aggregate, 454,686 share options with an exercise price of 49.50 pence per Ordinary share under a Company Share Option Plan (CSOP). Key persons discharging managerial responsibilities (PDMR's) were awarded a cumulative 112,106 share options as part of their annual remuneration and incentivisation packages. The remaining 342,580 options granted have been awarded to other members of the company's workforce. No directors of the company were awarded options in relation to this CSOP. The options are exercisable for a period of seven years from 20 May 2023, subject to the same performance conditions dictated by the Enterprise Management Incentive Scheme detailed above.

On 25 May 2021, the Company granted, in aggregate, 400,000 share options with an exercise price of 122.0 pence per Ordinary share under a Company Share Option Plan (CSOP). Key persons discharging managerial responsibilities (PDMR's) were awarded a cumulative 400,000 share options as part of their annual remuneration and incentivisation packages. The options are exercisable for a period of seven years from 24 May 2024 and are not subject to the satisfaction of any performance criteria.

On 1 March 2022, the Company granted in aggregate 200,000 ordinary shares of 25 pence each at an exercise price of 127.5 pence each under an unapproved scheme. These were granted to a consultancy company Ward & Hagon Management Consulting LLP ("Ward & Hagon") appointed to assist with the implementation of the Company's strategic growth plan in recognition of the success of the arrangements at the time and to incentivise the consultancy company to align with the long-term interest of shareholders. The options are exercisable between three and ten years from the date of grant.

On 24 November 2023, the Company granted in aggregate 641,191 ordinary shares of 25 pence each at an exercise price of 325 pence each under a Company Share Option Plan (CSOP) scheme. Key persons discharging managerial responsibilities (PDMR's) were awarded a cumulative 58,691 share options as part of their annual remuneration and incentivisation packages. The remaining 582,500 options granted have been awarded to other members of the company's workforce. The options are exercisable between three and ten years from the date of grant, with the usual first exercise date being the 3rd anniversary of the date of the grant.

On 24 November 2023, the Company granted in aggregate 167,309 ordinary shares of 25 pence each at an exercise price of 325 pence each under an unapproved Enterprise Management Incentive (EMI) scheme. Key persons discharging managerial responsibilities (PDMR's) were awarded a cumulative 167,309 share options as part of their annual remuneration and incentivisation packages. The options are exercisable between three and ten years from the date of grant, with the usual first exercise date being the 3rd anniversary of the date of the grant.

The charge in the statement of comprehensive income for the share-based payments during the year was £134,284 (2022: £192,986).

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2023

22. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Key management personnel are considered to be the directors. Compensation of the directors is disclosed in note 4 with the exception of dividends which are disclosed in note 18.

The lease between Warpaint Cosmetics (2014) Limited and Direct Supplies (2014) Group Limited is a 10 year lease which commenced on the 3 August 2016, with annual rental payments of £138,800.

During 2023, Warpaint Cosmetics (2014) Limited paid rent in the sum of £138,800 (2022: £138,000) to Direct Supplies (2014) Group Limited, of which S Bazini is a director. At the year end the amount due to Direct Supplies (2014) Group Limited was £34,500 (2022: £34,500).

The lease between Warpaint Cosmetics (2014) Limited and Trading Scents Group Limited is a 10 year lease which commenced on the 3 August 2016, with annual rental payments of £138,800.

During 2023, Warpaint Cosmetics (2014) Limited paid rent in the sum of £138,800 (2022: £138,000) to Trading Scents Group Limited, of which E Macleod is a director. At the year end the amount due to Trading Scents Group Limited was £34,500 (2022: £34,500).

During the year ended 31 December 2023, Warpaint Cosmetics (2014) Limited entered into two lease agreements, for two additional units with Warpaint Cosmetics Limited. The agreements relate to two leases to the 2 August 2026, with annual rental payments of £138,000 and £110,250 respectively.

During 2023, Warpaint Cosmetics (2014) Limited paid rent in the sum of £303,966 (2022: £138,000) to Warpaint Cosmetics limited, of which S Bazini and E Macleod are directors. At the year end the amount due to Warpaint Cosmetics Limited was £62,063 (2022: £34,500).

Warpaint Cosmetics (2014) Limited also entered into a 10 year lease agreement with Warpaint Cosmetics Limited on the 3 August 2016, with annual rental payments of £138,800.

During 2023, Retra Holdings Limited paid rent in the sum of £410,107 (2022: £404,265) to Warpaint Cosmetics Limited, of which E Macleod and S Bazini are directors.

The leases between Retra Holdings Limited and Warpaint Cosmetics Limited are two 10 year leases which commenced on 11th March 2018 with annual rental payments of £225,000, and £185,107 respectively.

Paul Hagon, an executive director of Warpaint London plc ("Warpaint"), is a member of Ward & Hagon. Ward & Hagon were paid £190,000 fees (2022: £177,437), £116,763 commission (2022: £169,172) and expenses of £9,346 in 2023 (2022: £7,404) and were issued with 200,000 share options in 2022, details of which are disclosed in note 21.

23. Financial instruments

Capital risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Group reports in Sterling. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors.

The Group manages its capital to ensure its ability to continue as a going concern and to maintain an optimal capital structure to reduce cost of capital. The capital structure of the Group comprises equity attributable to equity holders of the Company consisting of invested capital as disclosed in the Statement of Changes in Equity and cash and cash equivalents.

The Group's invested capital is made up of share capital, share premium and retained earnings totalling £62,095,000 as at 31 December 2023 (2022: £51,926,000) as shown in the statement of changes in equity.

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2023

23. Financial instruments (continued)

The Group maintains or adjusts its capital structure through the payment of dividends to shareholders and issue of new shares.

	Year ended 31 December	
	2023	2022
	£'000	£'000
Financial assets		
Financial assets at amortised cost:		
Trade and other receivables	**11,265**	10,078
Financial assets measured at fair value through the profit and loss:		
Cash and cash equivalents	**9,053**	5,865
Derivative financial instruments	**–**	8
	20,318	15,951
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	**(8,221)**	(4,694)
Loan and borrowings	**(5,449)**	(5,862)
Financial liabilities measured at fair value through the profit and loss:		
Derivative financial instruments	**(518)**	(600)
	(14,188)	(11,156)
Net	**6,130**	4,795

Financial assets measured at fair value through the profit and loss comprise cash and cash equivalents and derivative financial instruments.

Financial assets measured at amortised cost comprise trade receivables and other receivables.

Financial liabilities measured at amortised cost comprise trade payables and other payables, and bank loans.

Cash and cash equivalents

This comprises cash and short-term deposits held by the Group. The carrying amount of these assets approximates their fair value.

General risk management principles

The Group's activities expose it to a variety of risks including market risk (interest rate risk), credit risk and liquidity risk. The Group manages these risks through an effective risk management programme and through this programme, the Board seeks to minimise potential adverse effects on the Group's financial performance. The Directors have an overall responsibility for the establishment of the Group's risk management framework. A formal risk assessment and management framework for assessing, monitoring and managing the strategic, operational and financial risks of the Group is in place to ensure appropriate risk management of its operations.

The following represent the key financial risks that the Group faces:

Market risk

The Group's activities expose it to the financial risk of interest rates.

Interest rate risk

The Group's interest rate exposure arises mainly from its interest-bearing borrowings. Contractual agreements entered into a floating rate expose the entity to cash flow risk. Interest rate risk also arises on the Group's cash and cash equivalents. The Group does not enter into derivative transactions in order to hedge against its exposure to interest rate fluctuations. An increase in the rate of interest by 100 basis points would decrease profits by £4,000 (2022: £12,000) with an increase in profits by the same amount for a decrease in the rate of interest by 100 basis points.

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2023

23. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations.

The Group's principal financial assets are trade and other receivables and bank balances and cash. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's credit risk is primarily attributable to trade receivables. The Group has a policy of assessing credit worthiness of potential and existing customers before entering into transactions. There is ongoing credit evaluation on the financial condition of accounts receivable using independent ratings where available or by assessment of the customer's credit quality based on its financial position, past experience and other factors. The Group manages the collection of its receivables through its ongoing contact with customers so as to ensure that any potential issues that could result in non-payment of the amounts due are addressed as soon as identified. The Group makes a provision in the financial statements for expected credit losses based on an evaluation of historical data and applies percentages based on the ageing of trade receivables.

The maximum exposure to credit risk in respect of the above is the carrying value of financial assets recorded in the financial statements. At 31 December 2023, the Group has trade receivables of £10,835,000 (2022: £9,865,000).

The following table provides an analysis of trade receivables that were due, but not impaired, at each financial year end. The Group believes that the balances are ultimately recoverable based on a review of past impairment history and the current financial status of customers.

	As at 31 December	
	2023	2022
	£'000	£'000
Current	**5,680**	5,502
1 – 30 days	**3,514**	2,680
31 – 60 days	**980**	1,164
61 – 90 days	**547**	375
91 + days	**276**	214
Provision for impairment of trade receivables	**(129)**	(70)
Total trade receivables – net	**10,868**	9,865

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 31 December 2023 and, consequently, no further provisions have been made for bad and doubtful debts.

The allowance for bad debts has been calculated using a 12-month lifetime expected credit loss model, as set out below, in accordance with IFRS 9.

	As at 31 December 2023			As at 31 December 2022		
	£'000	**%**	**£'000**	£'000	%	£'000
Current	**5,680**	**0.135%**	**8**	5,432	0.135	8
1 – 30 days	**3,514**	**0.405%**	**14**	2,680	0.405	11
31 – 60 days	**980**	**1.215%**	**12**	1,164	1.215	14
61 – 90 days	**547**	**3.645%**	**20**	375	3.645	14
91 + days	**276**	**27.174%**	**75**	214	10.935	23
			129			70

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2023

23. Financial instruments (continued)

Credit quality of financial assets

	As at 31 December	
	2023	2022
Trade receivables, gross (note 13):	£'000	£'000
Receivable from large companies (see below for definition)	5,190	5,115
Receivable from small or medium-sized companies	490	386
Total neither past due nor impaired	**5,680**	5,501

For the purpose of the Group's monitoring of credit quality, large companies or groups are those that, based on information available to management at the point of initially contracting with the entity, have annual turnover in excess of £100,000 (2022: £100,000).

	As at 31 December	
	2023	2022
Past due but not impaired:	£'000	£'000
Less than 30 days overdue	3,514	2,680
30 – 90 days overdue	1,674	1,684
Total past due but not impaired	**5,188**	4,364
Lifetime expected loss provision:		
Less than 30 days overdue	–	–
30 – 90 days overdue	129	70
Total lifetime expected loss provision (gross)	**129**	70
Less: Impairment provision	(129)	(70)
Total trade receivables, net of provision for impairment	**10,868**	9,865

Cash and cash equivalents, neither past due nor impaired (Moody's ratings of respective counterparties):

	As at 31 December	
	2023	2022
	£'000	£'000
AAA rated	3	–
AA rated	3,292	–
A rated	–	5,862
BAA rated	5,758	3
Total cash and cash equivalents	**9,053**	5,865

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments on a regular basis to ensure that it has sufficient funds to meet the obligations as they fall due.

The Board receives monthly cash balance updates and weekly sales and margin reports marked against budget. At the start of each year the Board approve and adopt a budget and cash flow for the next 24 months, the CFO monitors these and reports any material divergences to the Board, so that management can ensure that sufficient funding is in place as it is required. The budget and cash flow are updated at the end of each year, for the following 24 months.

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2023

23. Financial instruments (continued)

The tables below summarise the maturity profile of the combined group's non-derivative financial liabilities at each financial year end based on contractual undiscounted payments, including estimated interest payments where applicable:

Year ended 31 December 2023	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000	Total £'000
Trade payables	1,892	–	–	–	1,892
Other payables	86	–	–	–	86
Accruals	6,243	–	–	–	6,243
Lease liabilities	729	730	3,673	1,031	6,163
	8,950	**730**	**3,673**	**1,031**	**14,384**

Year ended 31 December 2022	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000	Total £'000
Trade payables	1,368	–	–	–	1,368
Other payables	101	–	–	–	101
Accruals	3,225	–	–	–	3,225
Lease liabilities	605	595	4,027	1,465	6,692
	5,299	**595**	**4,027**	**1,465**	**11,386**

The borrowings of the subsidiary companies, Retra Holdings Limited and Badgequo Limited, are secured by a debenture including a fixed charge over the present leasehold property, a first fixed charge over book and other debts and a first floating charge over all assets of those companies.

Foreign exchange risk

The Group operates in a number of markets across the world and is exposed to foreign exchange risk arising from various currency exposure in respect of cash and cash equivalents, trade receivables and trade payables, in particular with respect to the US dollar. At December 2023, there were total sums of £2,384,899 (2022: £1,828,145) held in foreign currency.

The Group is also exposed to currency risk as the assets one of its subsidiary are denominated in US Dollars. At 31 December 2023, the net foreign liability was £0.2m (2022: £0.5m). Differences that arise from the translation of these assets from US dollar to sterling are recognised in other comprehensive income in the year and the cumulative effect as a separate component in equity. The Group does not hedge this translation exposure to its equity.

A 5% weakening of sterling would result in a £11,085 increase in reported profits and equity, while a 5% strengthening of sterling would result in £10,030 decrease in profits and equity.

Marvin Leeds Marketing Services, Inc.

		As at 31 December 2023 USD $	2023 GBP £
Profit After Tax		**268,316**	**210,626**
5% weakening of US dollar		**268,316**	**221,711**
	Increase profits		**11,085**
5% strengthening of US dollar		**268,316**	**200,596**
	Decrease profits		**(10,030)**

Foreign exchange risk

	2023 £'000	2022 £'000
Derivatives carried at fair value:		
Exchange loss on forward foreign currency contracts	**(518)**	(592)

The Group, along with other businesses, will face the risk of inflationary pressures through commodities cost increases.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2023

23. Financial instruments (continued)

Derivatives: Foreign currency forward contracts

The Group enters into forward foreign exchange contracts and options to manage the risk associated with anticipated sale and purchase transactions which are denominated in foreign currencies.

Derivatives are recognised initially at their fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised immediately in the profit or loss unless the derivative is designed and effective as a hedging instrument, in which event the timing and recognition in the profit or loss depends on the nature of the hedging relationship.

As at 31 December 2023, the group has in total 52 (2022: 34) forward foreign exchange contracts outstanding, made up of regular forward foreign exchange contracts.

Regular forward foreign exchange contracts:

At 31 December 2023, there were 52 (2022: 30) regular forward foreign exchange contracts, to buy US dollars and sell Euros, for an agreed amount of foreign currency on a specific future date. The purchase or sale is made at a predetermined exchange rate. The outcome is certain and will deliver a known fixed amount. The following table details the regular forward foreign exchange contracts outstanding as at the balance sheet date.

	2023	2022	2023	2022
a) Contracted exchange rate	£/$	£/$	£/€	£/€
3 months or less	1.2660	1.2707	n/a	n/a
3 to 6 months	1.2526	1.1447	1.1491	1.1485
6 to 12 months	1.2546	1.1407	1.1435	1.1414
12 months or more	n/a	n/a	n/a	1.1192

	2023	2022	2023	2022
	£/$	£/$	£/€	£/€
b) Contract value	£'000	£'000	£'000	£'000
3 months or less	10,310	1,448	–	–
3 to 6 months	16,554	699	872	849
6 to 12 months	6,792	438	2,382	1,095
12 months or more	–	–	–	1,385
	33,656	2,585	3,254	3,329

	2023	2022	2023	2022
c) Foreign currency	$'000	$'000	€'000	€'000
3 months or less	12,943	1,840	–	0
3 to 6 months	20,750	800	1,000	975
6 to 12 months	8,500	500	2,725	1,250
12 months or more	–	–	–	1,550
	42,193	3,140	3,725	3,775

Window Barrier Accrual forward foreign exchange contracts:

At 31 December 2023, there were no Window Barrier Accrual forward foreign exchange contracts to buy US dollars (2022: 3)

Window Barrier Accruals have an agreed US dollar purchase Forward Rate, a start date known as the Barrier date, an end date known as the Expiration date, a rate below which the forward foreign exchange contract becomes worthless known as the Knock Out Rate, and a Notional Amount of currency to purchase at the Forward Rate depending on the US dollar Spot Rate at the Expiration Date.

Each Window Barrier Accrual contract has been designed to cover the currency needs of the business throughout 2023 and includes 12 Barrier and Expiration dates, one in each calendar month, so that the forward foreign exchange contract is split evenly across the year.

If from month to month between the Barrier date and the following Expiration date, the Spot Rate of the US dollar falls below the Knock Out Rate, then there is no obligation, and no US dollars can be purchased. Otherwise, if on the Expiration date Spot Rate is below the Forward Rate, then the Notional Amount of US dollars will be purchased at the Forward Rate, however if on the Expiration date Spot Rate is above the Forward Rate, then double the Notional Amount of US dollars will be purchased at the Forward Rate.

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2023

23. Financial instruments (continued)

Counter TARN forward foreign exchange contracts:

At 31 December 2023, there were no Counter TARN forward foreign exchange contract to buy US dollars (2022: 1).

Counter TARNs have an agreed US dollar purchase Forward Rate, an end date known as the Expiration date, a Target which is the agreed number of times the contract allows the purchase of dollars when the Spot Rate is less than the Forward rate at the Expiration date, a Fixing Count which increments by 1 each time the contract allows the purchase of dollars when the Spot Rate is less than the Forward rate, a Notional Amount of currency to purchase at the Forward Rate depending on the US dollar Spot Rate at the Expiration Date, and a Knock Out Event which is when the Fixing Count total has reached the agreed Target and thereafter the forward foreign exchange contract becomes worthless.

The Counter TARN contract has been designed to cover the currency needs of the business throughout 2024 and includes 12 Expiration dates, one in each calendar month, so that the forward foreign exchange contract is split evenly across the year.

If from month to month on the Expiration dates Spot Rate is below the Forward Rate, then the Notional Amount of US dollars will be purchased at the Forward Rate and the Fixing Count will increment by 1, however if on the Expiration dates Spot Rate is above the Forward Rate, then double the Notional Amount of US dollars will be purchased at the Forward Rate and the Fixing Count will not change. If at any time the Fixing Count reaches the Target for the contract, then this triggers a Knock Out Event which ends the contract and no further US dollars can be purchased.

Foreign currency forward contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as asset or as liabilities) within the Statement of Financial Position.

Fair value of financial assets and liabilities

Financial instruments are measured in accordance with the accounting policy set out in Note 1. All financial instruments carrying value approximates its fair value with the exception of foreign currency forward contracts and options which are considered Level 2. The Directors consider that there is no significant difference between the book value and fair value of the Group's financial assets and liabilities and is considered to be immaterial.

24. Pension costs

The Group operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the statement of comprehensive income in the period to which they relate. The amount charged to profit in each period was £121,682 (2022: £101,003).

25. Controlling party

In the opinion of the directors there is no ultimate controlling party.

26. Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the period.

	2023	2022
Basic earnings per share (pence)	**18.05**	8.14
Diluted earnings per share (pence)	**17.98**	8.11

The calculation of basic and diluted earnings per share is based on the following data:

Earnings	**2023** **£'000**	2022 £'000
Earnings for the purpose of basic earnings per share, being the net profit	**13,899**	6,250

Number of shares	**2023**	2022
Weighted number of ordinary shares for the purpose of basic earnings per share	**76,983,311**	76,752,355
Potentially dilutive shares awarded	**325,443**	296,256
Weighted number of ordinary shares for the purpose of diluted earnings per share	**77,308,754**	77,048,611

905,237 share options (2022: 4,063,881) in issue have not been included in the computation of diluted earnings per share, as per IAS 33, the share options are not dilutive as they are not likely to be exercised given that the exercise price is higher than the average market price.

The additional 10,000 share options granted on 20 May 2020, additional 400,000 share options granted 24 May 2021 and 200,000 share options granted 01 March 2022 have been included in the computation of diluted earnings per share as the exercise prices of the options are below the average annual market price of Ordinary shares.

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2023

27. Notes supporting statement of cash flows

Non-cash transactions from financing activities are shown in the table below.

	Non-current loans and borrowings £'000	Current loans and borrowings £'000	Total £'000
At 1 January 2022	2,537	610	3,147
Non-cash flows	3,551	–	3,551
Cash flows	–	(836)	(836)
Reclassification from Non-current loans and borrowings to current loans and borrowings	(1,241)	1,241	–
At 31 December 2022	**4,847**	**1,015**	**5,862**
Non-cash flows	731	–	731
Cash flows	–	(1,144)	(1,144)
Reclassification from Non-current loans and borrowings to current loans and borrowings	(1,388)	1,388	–
At 31 December 2023	**4,190**	**1,259**	**5,449**

The above relates to payments in respect of the groups right of use assets. The group does not have any loans and borrowings.

Company Statement of Financial Position
for the year ended 31 December 2023

Company number: 10261717

	Note	2023 £'000	2022 £'000
Fixed assets			
Investments	3	**34,493**	34,493
		34,493	34,493
Current assets			
Trade and other receivables	4	**16,893**	16,734
Cash and cash equivalents		**4,625**	139
Total current assets		**21,518**	16,873
Current liabilities			
Trade and other payables	5	**(1,849)**	(450)
Derivative financial instruments	10	**–**	(400)
Total current liabilities		**(1,849)**	(850)
Total liabilities		**(1,849)**	(850)
NET ASSETS		**54,162**	50,516
Capital and reserves			
Share capital	6	**19,314**	19,188
Share premium	7	**19,726**	19,360
Merger reserve	8	**1,895**	1,895
Share option reserve		**380**	2,003
Retained earnings		**12,847**	8,070
Shareholders' funds		**54,162**	50,516

As permitted by section 408 of the Companies Act 2006, the profit and loss account is not presented. The profit for the year amounted to £8,804,799 (2022: £5,585,667).

The financial statements of Warpaint London PLC were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Neil Rodol
Chief Financial Officer

Date: 23 April 2024

The notes on pages 87 to 89 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2023

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Share Option Reserve £'000	Retained Earnings £'000	Total Equity £'000
As at 31 December 2021	**19,188**	**19,360**	**1,895**	**1,810**	**7,165**	**49,418**
Share based payment charge	–	–	–	193	–	193
Profit for the year	–	–	–	–	5,587	5,587
Dividends paid	–	–	–	–	(4,682)	(4,682)
As at 31 December 2022	**19,188**	**19,360**	**1,895**	**2,003**	**8,070**	**50,516**
Equity shares issued	126	366	–	–	–	492
Share based payment charge	–	–	–	134	–	134
Fair value of exercised share options	–	–	–	(130)	130	–
Fair value of lapsed share options	–	–	–	(1,627)	1,627	–
Profit for the year	–	–	–	–	8,805	8,805
Dividends paid	–	–	–	–	(5,785)	(5,785)
As at 31 December 2023	**19,314**	**19,726**	**1,895**	**380**	**12,847**	**54,162**

The notes on pages 87 to 89 form part of these financial statements.

Notes to the Company Financial Statements
for the year ended 31 December 2023

1. Significant accounting policies

Basis of preparation

These separate financial statements of Warpaint London PLC have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland (FRS 102), and with the Companies Act 2006.

The Company's financial statements are presented in GBP.

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- no cash flow statement or net debt reconciliation has been presented for the parent company;
- disclosures in respect of the parent company's income, expense, net gains, and net losses on financial instruments measured at amortised cost have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- disclosures in respect of the parent company's share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- no disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as set out below.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are considered by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also considers non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

Going Concern

Going concern for the company has been considered along with the Group by the directors. The consideration is set out in note 1 of the consolidated financial statements.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid to the shareholders. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements and accounting estimates and assumptions

Impairment of investments

An impairment test is undertaken where there are indicators of the value of the investment being impaired. The directors use judgement in assessing the value of investments held.

Recoverability of intercompany balances

The directors assess the recoverability of balances from group companies based on the estimated trading results of the subsidiary companies.

2. Staff costs

	Year ended 31 December 2023 £'000	2022 £'000
Salaries	**1,273**	985
Share based payments	**75**	125
Benefits	**27**	23
Pension costs	**2**	2
	1,377	1,135

Financial Statements

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2023

2. Staff costs (continued)

The average monthly number of employees during the period was as follows:

	Year ended 31 December 2023 No.	2022 No.
Directors	**7**	7
	7	7

Directors' remuneration, included in staff costs	2023 £'000	2022 £'000
Salaries	**1,273**	985
Share based payments	**75**	125
	1,348	1,110

The directors are the only key management personnel.

3. Investments

	At 31 December 2023 £'000
Cost	
At January 2023 and 31 December 2023	**35,833**
Impairment	
At January 2023 and 31 December 2023	1,340
Net book value	
At 31 December 2023	**34,493**
At 31 December 2022	34,493

Details of subsidiaries are shown in note 7 of the Consolidated Financial Statements.

Investments represents the fair value of the Company's investment in its subsidiaries as detailed in Note 7 to the consolidated financial statements.

Impairment is calculated by comparing the carrying amounts to the recoverable amount being the higher of value in use derived from discounted cash flow projections or the fair value less costs to sell. A CGU is deemed to be an individual division, and these have been grouped together into similar classes for the purpose of formulating operating segments as reported in Note 2. The discount rate for the CGU has been calculated using various assumptions to arrive at the Weighted Average Cost of Capital ("WACC"). The WACC has been calculated by weighting the required returns of interest bearing debt and common equity in line with an estimate split of the capital structure. Value in use calculations are based on a discounted cash flow model ("DCF") for the subsidiary, which discounts expected cash flows over a five-year period using a pre-tax discount rate of 7.6% (2022: 13.3%) for Retra Holdings Limited and 7.5% (2022: 10.4%) for Marvin Leeds Marketing Services. Cash flows beyond the five-year period are extrapolated using a long-term average growth rate of 2.0% (2022: 2.0%). The average growth rate beyond the five-year period is lower than current growth rates and is in line with Management's expectations for the business.

The fair value less costs to sell was based on a multiple of earnings less estimated costs to sell. Management have performed the annual impairment review as required by IAS 36 and have concluded that no impairment is indicated for Retra Holdings Limited or Marvin Leeds Marketing Services, Inc. as the recoverable amount exceeds the carrying value.

4. Debtors

	2023 £'000	2022 £'000
Due from group undertakings	**16,782**	16,647
Other receivables	**42**	-
Prepayments and accrued income	**69**	87
	16,893	16,734

Amounts due from related undertakings are unsecured, non-interest bearing and payable on demand. The directors do not consider there to be any expected credit loss relating to group companies having assessed their underlying profitability and financial position.

5. Creditors due within one year

	2023 £'000	2022 £'000
Trade payables	**22**	–
Other taxation and social security	**38**	17
Due from group undertakings	**1,207**	390
Accruals and deferred income	**582**	43
	1,849	450

6. Called up share capital

	No of shares '000	£'000
Allotted and issued		
Ordinary shares of £0.25 each		
At 1 January 2022 and 31 December 2022	76,752	19,188
Issued at 6 June 2023	376	94
Issued at 9 October 2023	24	6
Issued at 21 November 2023	105	26
At 31 December 2023	**77,257**	**19,314**

On 6th June 2023, the Company issued 375,633 equity shares with par value of £0.25 per share for £0.495 per share. The entire amount was paid in cash. No shares were allotted other than for cash.

On 9th October 2023, the Company issued 23,578 equity shares with par value of £0.25 per share for £0.25 per share. The entire amount was paid in cash. No shares were allotted other than for cash.

On 21st November 2023, the Company issued 105,262 equity shares with par value of £0.25 per share for £237.5 per share. The entire amount was paid in cash. No shares were allotted other than for cash.

All ordinary shares carry equal rights.

7. Share premium

	2023 £'000	2022 £'000
Share premium	**19,726**	19,360

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses incurred by the company.

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2023

8. Other reserves

The movement in merger reserve represents the difference between the issue price and the nominal value of shares issued as consideration for the acquisition of subsidiary undertaking.

The share option represents share-based payment charges on the share options that were in issue.

9. Related party transactions

The Company has taken advantage of the disclosure of related party transactions with wholly owned fellow group companies. Related party transactions with key management personnel (including directors) are shown in Note 22 of the Consolidated Financial Statements.

10. Share based payments

The Group has taken advantage of the exemption to not disclose details of the parent company's share-based payment arrangements.

Disclosure of the Group's share-based payment arrangements has been made in Note 21, of the Group accounts.

11. Financial Instruments

Foreign exchange risk

	2023 £'000	2022 £'000
Derivatives carried at fair value:		
Exchange loss on forward foreign currency contracts	–	(400)

The Group, along with other businesses, will face the risk of inflationary pressures through commodities cost increases.

Derivatives: Foreign currency forward contracts

The Group enters into forward foreign exchange contracts and options to manage the risk associated with anticipated sale and purchase transactions which are denominated in foreign currencies.

Derivatives are recognised initially at their fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised immediately in the profit or loss unless the derivative is designed and effective as a hedging instrument, in which event the timing and recognition in the profit or loss depends on the nature of the hedging relationship.

As at 31 December 2023, Warpaint London PLC had no (2022: 2) forward foreign exchange contracts outstanding, made up of regular and complex forward foreign exchange contracts known as Window Barrier Accruals and Counter TARNs (targeted accrual redemption note). Derivative financial instruments are carried at fair value.

Window Barrier Accrual forward foreign exchange contracts:

At 31 December 2023, there were no Window Barrier Accrual forward foreign exchange contracts to buy US dollars (2022: 1).

Window Barrier Accruals have an agreed US dollar purchase Forward Rate, a start date known as the Barrier date, an end date known as the Expiration date, a rate below which the forward foreign exchange contract becomes worthless known as the Knock Out Rate, and a Notional Amount of currency to purchase at the Forward Rate depending on the US dollar Spot Rate at the Expiration Date.

Each Window Barrier Accrual contract has been designed to cover the currency needs of the business throughout 2023 and includes 12 Barrier and Expiration dates, one in each calendar month, so that the forward foreign exchange contract is split evenly across the year.

If from month to month between the Barrier date and the following Expiration date, the Spot Rate of the US dollar falls below the Knock Out Rate, then there is no obligation, and no US dollars can be purchased. Otherwise, if on the Expiration date Spot Rate is below the Forward Rate, then the Notional Amount of US dollars will be purchased at the Forward Rate, however if on the Expiration date Spot Rate is above the Forward Rate, then double the Notional Amount of US dollars will be purchased at the Forward Rate.

Counter TARN forward foreign exchange contracts:

At 31 December 2023, there were no Counter TARN forward foreign exchange contract to buy US dollars (2022: 1).

Counter TARNs have an agreed US dollar purchase Forward Rate, an end date known as the Expiration date, a Target which is the agreed number of times the contract allows the purchase of dollars when the Spot Rate is less than the Forward rate at the Expiration date, a Fixing Count which increments by 1 each time the contract allows the purchase of dollars when the Spot Rate is less than the Forward rate, a Notional Amount of currency to purchase at the Forward Rate depending on the US dollar Spot Rate at the Expiration Date, and a Knock Out Event which is when the Fixing Count total has reached the agreed Target and thereafter the forward foreign exchange contract becomes worthless.

The Counter TARN contract has been designed to cover the currency needs of the business throughout 2023 and includes 12 Expiration dates, one in each calendar month, so that the forward foreign exchange contract is split evenly across the year.

If from month to month on the Expiration dates Spot Rate is below the Forward Rate, then the Notional Amount of US dollars will be purchased at the Forward Rate and the Fixing Count will increment by 1, however if on the Expiration dates Spot Rate is above the Forward Rate, then double the Notional Amount of US dollars will be purchased at the Forward Rate and the Fixing Count will not change. If at any time the Fixing Count reaches the Target for the contract, then this triggers a Knock Out Event which ends the contract and no further US dollars can be purchased.

Foreign currency forward contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as asset or as liabilities) within the Statement of Financial Position.

Fair value of financial assets and liabilities

Financial instruments are measured in accordance with the accounting policy set out in Note 1. All financial instruments carrying value approximates its fair value with the exception of foreign currency forward contracts and options which are considered Level 2. The Directors consider that there is no significant difference between the book value and fair value of the Group's financial assets and liabilities and is considered to be immaterial.

Officers and Professional Advisers

Directors	C Garston	Chairman
	S Bazini	Chief Executive Officer
	E Macleod	Managing Director
	N Rodol	Chief Financial Officer
	S Craig	General Counsel & Company Secretary
	P Hagon	Executive Director
	K Sadler	Non-Executive Director
	S Daly	Non-Executive Director (appointed 1 January 2024)
	I Thambiah	Non-Executive Director (appointed 1 January 2024)
Registered Office	Units B&C Orbital Forty Six The Ridgeway Trading Estate Iver, Buckinghamshire, SL0 9HW	
Company Number	10261717	
Nominated Adviser	Shore Capital and Corporate Limited Cassini House 57-58 St James's Street London, SW1A 1LD	
Broker	Shore Capital Stockbrokers Limited Cassini House 57-58 St James's Street London, SW1A 1LD	
Auditors	BDO LLP 55 Baker Street London, W1U 7EU	
Registrars	Neville Registrars Limited Neville House Steel Park Road Halesowen West Midlands, B62 8HD	
Financial PR and IR	IFC Advisory Limited Birchin Court, 20 Birchin Lane London, EC3V 9DU	

Printed by:
perivan
perivan.com

WARPAINT LONDON PLC
Units B&C
Orbital Forty Six
The Ridgeway Trading Estate
Iver
Buckinghamshire
SL0 9HW
investors@warpaintlondonplc.com