WARPAINT LONDON PLC
ANNUAL REPORT 2022

Contents

Mission Statement

"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

Headline Results

Headline results for the year ended 31 December 2022

Warpaint London PLC ("Warpaint", the "Company" or the "Group")

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.

	Statutory Results	
	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Revenue	**£64.1m**	£50.0m
Profit from operations	**£8.0m**	£3.8m
Profit margin from operations	**12.4%**	7.6%
Profit before tax ("PBT")	**£7.7m**	£3.7m
Earnings per share ("EPS")	**8.1p**	3.7p
Cash and cash equivalents	**£5.9m**	£4.1m

	Adjusted Statutory Results	
	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Revenue	**£64.1m**	£50.0m
Adjusted profit from operations	**£10.3m***	£7.0m*
Adjusted profit margin from operations	**16.1%***	13.9%*
Adjusted PBT	**£10.0m***	£6.9m*
Adjusted EPS	**11.2p***	7.8p*
Cash and cash equivalents	**£5.9m**	£4.1m

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 numbers are as follows:

	2022	2021
Statutory profit from operations	**£7.97m**	£3.82m
Exceptional items	**£0.15m**	£0.58m
Amortisation	**£2.00m**	£2.39m
Share based payments	**£0.19m**	£0.18m
***Adjusted profit from operations**	**£10.31m**	£6.97m
***Adjusted profit margin from operations**	**£10.31m / £64.06m = 16.09%**	£6.97m / £50.00m = 13.94%
Statutory PBT	**£7.69m**	£3.73m
Exceptional items	**£0.15m**	£0.58m
Amortisation	**£2.00m**	£2.39m
Share based payments	**£0.19m**	£0.18m
***Adjusted PBT**	**£10.03m**	£6.88m
Statutory profit attributable to equity holders	**£6.25m**	£2.83m
Exceptional items	**£0.15m**	£0.58m
Amortisation	**£2.00m**	£2.39m
Share based payments	**£0.19m**	£0.18m
Adjusted profit attributable to equity holders	**£8.59m**	£5.98m
Weighted number of ordinary shares	**76,752,355**	76,751,187
***Adjusted EPS**	**11.19p**	7.80p

Exceptional items include £nil of staff restructuring and voluntary redundancy costs (2021: £0.03 million), £nil of non-recurring legal costs (2021: £0.18 million), and £0.15 million for content use and associated legal fees (2021: £0.37 million).

Headline Results (continued)

Financial Highlights

- Strong growth in sales to reach a record level for the Group. Significant profitability and cash generation during the year reflecting the focus on growing sales of the Group's branded products
- In 2022 Group sales increased by 28% to £64.1 million (2021: £50.0 million)
  - ➢ UK revenue increased by 9% to £27.6 million (2021: £25.3 million)
  - ➢ International revenue increased by 48% to £36.5 million (2021: £24.7 million)
- Gross profit margin increased to 36.4% (2021: 33.8%), despite continued supply side price inflation
- EBITDA increased 56% to £11.7 million (2021: £7.5 million)
- Adjusted profit from operations of £10.3* million (2021: 7.0* million). Statutory profit from operations of £8.0 million (2021: £3.8 million)
- Reported profit before tax of £7.7 million (2021: £3.7 million)
- Adjusted earnings per share increased by 44% to 11.2p* (2021: 7.8p*)
- Cash of £5.9 million at 31 December 2022 (31 December 2021: £4.1 million), with no debt
- Final dividend recommended of 4.5 pence per share (2021: 3.5 pence per share), bringing the total dividend for the year to 7.1 pence per share (2021: 6.0 pence per share)

Operational Highlights

- European sales increased by 56% to £28.1 million (2021: £18.0 million), making this the largest sales region for the Group
- Successful launch in Boots of 45 W7 products in an initial 80 stores
- USA sales, in sterling terms, increased by 79% in 2022 to £5.3 million (2021: £3.0 million) and grew by 55% in US dollar terms
- Direct online sales continue to accelerate, with an increase of 106% in Group e-commerce sales in 2022 to account for 4.3% of Group sales (2021: 2.7% of Group sales)

Post-Period End Highlights

- Continued strong trading in Q1 2023, with unaudited Group sales for the three months to 31 March 2023 of £18.5 million an increase of 40% on the same period in 2022 (3 months to 31 March 2022: £13.2 million)
- Margins in Q1 were robust and better than those achieved in the full year 2022
- Q1 2023 e-commerce sales of £0.83m, 188% ahead of the same period in 2022 (Q1 2022 £0.29m)
- Record cash in bank of £8.6 million as at 31 March 2023 and no debt
- Continuing brand sales momentum being seen in 2023:
  - ➢ In April 2023, a range of 158 Technic products will be launched in an initial four Asda superstores on a trial basis with a view to a wider inclusion in Asda's cosmetic range review in Q4 2023
  - ➢ After an initial trial of W7 product in 20 New Look stores in the UK, the Group is now rolling out W7 product to a further 200 New Look stores
  - ➢ Significant further expansion in the US with H-E-B stores, CVS BIRL stores, where initial sales have been ahead of expectations, as well as launching in Sallys and Nordstrom Rack

*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 numbers are set out in the table on page 5.


Clive Garston

Chairman's Statement

Warpaint's business strategy and model has enabled it to withstand the difficult business environment driven by rampant inflation, the war in Ukraine and the aftermath of the Covid epidemic to deliver a very good performance in 2022 and to be in a position to grow further in all its markets. This is due to the dedication of all the Warpaint team and I would like to thank them very much for their energy, flexibility and exceptional efforts. Relationships with our major customers and suppliers continue to be very strong.

During the year we continued our strategy of focusing on increasing our presence in larger retailers globally, through growing sales through our existing relationships and entering into new ones, together with growing our online presence. This focus on larger customers and doing more business with them 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 2023, with the Group enjoying record quarterly sales. We expect demand to remain buoyant and for sales to continue to grow, despite the macroeconomic headwinds.

Results

2022 was a year of significant achievement for the Group, with record sales and profits being delivered.

Adjusted profit from operations was £10.3 million (2021: £7.0 million) on revenue of £64.1 million (2021: £50.0 million) with basic earnings per share of 7.9p (2021: 3.7p) and adjusted earnings per share of 11.0p (2021: 7.8p). Adjusted numbers exclude exceptional costs (staff restructuring and voluntary redundancy costs, certain non-recurring legal costs, stock relocation costs and a provision for content use and associated legal fees), amortisation in relation to acquisitions and share based payments.

Whilst continuing to focus on quick stock turnover, the Group ensured inventory levels were appropriate at the year end to service the anticipated demand in the first quarter of 2023, with inventory at 31 December 2022 increasing to £18.7 million (31 December 2022 £18.1 million). The balance sheet remains strong, with cash at 31 December 2022 of £5.9 million (31 December 2021: £4.1 million), and the Group remains debt free.

Dividend

In accordance with the Group's policy to continue to pay appropriate dividends, the board is pleased to recommend an increased final dividend of 4.5 pence per share which, if approved by shareholders at the AGM, will be paid on 4 July 2023 to shareholders on the register at 16 June 2023. The shares will go ex-dividend on 15 June 2023.

Board

John Collier, an independent non-executive director of the Company, left the board on 31 December 2022 to focus on his other business interests. I would like to thank John for his contribution to Warpaint and we wish him well in his future endeavours. It is the board's intention to appoint an additional non-executive director in the second half of 2023.

Annual General Meeting

The Company's annual general meeting will be held at the Company's offices at Units B&C, Orbital Forty Six, The Ridgeway Trading Estate, Iver, Bucks, SL0 9HW on 28 June 2023 at 10 a.m. and we will be delighted to welcome those shareholders who are able to attend in person.

Summary and Outlook

I am very pleased with the Group's strong performance in 2022 and that this has continued in the first quarter of 2023, with the Group enjoying record quarterly sales. This reflects Warpaint's consistent and focused strategy of increasing our presence in large retailers globally, both by growing sales through our existing relationships and entering into new ones, together with increasing our online presence. This focus on larger customers, doing more business with them and providing what their customers demand is reflected in the Group's results and provides a strong platform for the future. We also continue to develop relationships with other large retailers, particularly in the UK, Europe and the US, where they are seeing demand from their customers for quality, on trend, but more value orientated brands, such as those produced by the Group.

Notwithstanding the current situation in the Ukraine and current levels of inflation I am optimistic that the strong performance we have seen in 2022 and into 2023 will continue and that we have the right offering and strategy in place to continue to deliver profitable future growth, despite the macroeconomic headwinds.

Clive Garston
Chairman
25 April 2023


Sam Bazini

Chief Executive's Statement

The Group achieved a record level of sales in 2022, reflecting the success of the Group's strategy of focusing on growing sales of its branded products. This was achieved at an improved gross margin, despite a number of continuing operational challenges being faced, particularly with regard to supply side price inflation.

In 2022, Group sales increased by 28% in 2022 to £64.1 million, reaching a record level for the Group. These sales were achieved at an increased gross margin of 36.4% (2021: 33.8%) despite continued cost pressures and resulted in a reported profit before tax of £7.7 million (2021: £3.7 million). Gross margin is being maintained in Q1 2023 despite the current economic challenges.

Our strategy of producing a wide range of high-quality cosmetics at an affordable price remains our key focus, growing sales through our existing customers' outlets and winning new customers with significant sales footprints, both in the UK and internationally, together with continuing to grow our online sales. The global cosmetics market is increasingly seeing customers transferring to more value orientated brands, such as those produced by the Group, and I believe we are very well placed with our high-quality focused offering to capture further market share.

Following the rationalisation of our brand portfolio in 2020 the Group has concentrated on its core W7, Technic, Body Collection, Man'stuff and Chit Chat brands during the year. In 2022, sales of the Group's branded products accounted for 90% of revenue (2021: 89%).

Warpaint has continued to reduce the focus on its close-out business, although profitable close-out opportunities continue to be taken where appropriate. In 2022 close-out sales accounted for £3.8 million (2021: £4.5 million), 6% of Group sales. The remainder of the Group's sales of £2.6 million (2021: £1.1 million) are white label products for major high street retailers.

W7

The Group's lead brand remains W7, with sales in 2022 accounting for 55% of total Group revenue (2021: 52%). Overall W7 sales increased by 35% in 2022 to £35.0 million compared to £25.9 million in 2021.

In the UK, W7 revenues were up 7% in 2022 compared to 2021, representing 37% of W7 sales in the year, down from 46% in 2021, as stronger sales growth was experienced in regions outside of the UK and higher than normal levels of inventory were held by certain UK retailers at the start of the year. W7 revenues in the UK grew by increased sales into Tesco, together with a growth in sales from the Group's other larger customers in the UK. W7 sales in the UK also received a further boost with Boots starting to stock a range of approximately 45 W7 products in an initial 80 stores from February 2022. Sales to date from Boots have been encouraging and we anticipate an increased presence with Boots in due course.

The strongest growth in 2022 was seen in continental Europe, with sales increasing by 77% compared to 2021, and continental Europe became the largest sales region for W7 branded products in the year, accounting for 45% of W7 sales. The Group has benefited from its post Brexit fulfilment strategy, enabling products to enter the EU without issues, and the growth in both the range of European customers served and the expansion in the number of outlets for certain larger customers.

In the US, W7 sales doubled in 2022 compared to 2021, and accounted for 13% 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 declined marginally, largely reflective of the timing of certain large orders.

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

Since the Company's acquisition of Retra Holdings Limited ("Retra") and its Technic, Body Collection and Man'stuff brands in November 2017, the focus has been on growing the sales of all year-round cosmetics in addition to continuing to grow its strong and established gifting proposition. It was pleasing to see sales of Technic and the other Retra brands, including Body Collection, grow by 23% in 2022. As a result of the ongoing successful execution of this strategy, the proportion of gifting sales for Retra reduced to 34% in 2022, from 37% in 2021 and 47% in 2020, with single products sold under the Technic brands accounting for 66% of sales in 2022.

Sales of branded Technic product in 2022 was 36% of total Group revenue (2021: 37%). Overall Technic brand sales grew by 23% in 2022 to £22.7 million compared to £18.5 million in 2021.

In 2022, UK revenues were 46% of Technic's total sales and they increased by 24% over the year, aided by sales of Technic and Body Collection branded products to the retailer, Bodycare. In April 2023, a range of 158 Technic products will be launched in an initial four Asda superstores on a trial basis with a view to a wider inclusion in Asda's cosmetic range review in Q4 2023.

As with W7, sales of the Technic brands grew strongly in continental Europe during the year and accounted for 48% of Technic's sales in 2022, an increase of 34% compared to 2021, making continental Europe the largest sales region for the Technic brands.

Sales for the Technic brands outside of the UK and Europe accounted for 6% of Technic sales (2021: 6%). In the USA, sales increased by 58% compared to 2021, and in the rest of the world sales increased by 18% compared to 2021, albeit the sales were small in these regions in the context of the Group as a whole being under 3% of total Group revenues.

Building on the successful sales of W7 branded product through Amazon, a Technic brand store was launched on Amazon in the UK in January 2023 and a number of key Technic lines will be launched on Amazon in the US in Q2 2023 and in continental Europe later in 2023.

The Technic business also produces and sells own brand white label cosmetics for several major high street retailers, with such sales more than doubling to be 4% of Group revenue (2021: 2%). Despite the growth in white label sales in 2022, we continue to assess private label opportunities on a case by case basis, based on the return they can deliver.

Close-out

Close-out sales continue not to be a core focus for the Group, although advantage is taken of profitable close-out opportunities as they become available. The close-out division reduced as a proportion of Group sales in 2022, compared to 2021, representing 6% of the overall revenue of the Group (2021: 9%). Whilst not a core focus, this side of the business continues to provide a significant and profitable source of intelligence in the colour cosmetics market and access to new market trends.

e-Commerce

During 2022 we continued to focus on driving online sales. In addition to growing sales through the W7 and Technic brands' own bespoke e-commerce sites, the Group has continued to focus on growing sales of our brands in the UK and the US on Amazon, and in China through official W7 brand stores owned by the Group 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. Additionally, W7 product was launched on Amazon EU in Germany, Italy and Spain in 2022.

Direct online sales as a proportion of the Group's overall sales increased to 4.3% in 2022 (2021: 2.7%), having grown from £0.5 million in 2020 to £1.3 million in 2021, to over £2.8 million in 2022, an increase of 115% from 2021 to 2022.

Online sales have grown further in the current financial year, up 188% in Q1 2023 compared to the same period in 2022, and the focus remains on ensuring a similar margin to the Group's sales through traditional physical outlets.

In 2023 the Group will launch online sales in Japan through Amazon, a similar model to that successfully deployed in the US, together with launches of the Technic brands on Amazon in the UK, US and continental Europe.

New Product Development

New product development continues to be core to the Group's proposition to provide new products that are on trend, fast to market and that meet the consumer's quickly changing needs.

During 2022 our New Product Development Team continued to develop a strong pipeline of new products, focused on the demands of our customers. Our new product development strategy continues to utilise a variety of manufacturing partners, predominantly in China and Europe, that 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 subsidiary sourcing office and its China subsidiary (Jinhua Badgequo Cosmetics Trading Company Ltd), with local employees able to explore new factories and oversee quality control and ethical sourcing.

The Group's cosmetic products are "cruelty free" and are not tested on animals irrespective of where the products are being supplied. We support cruelty free alternatives to animal testing to become compulsory and animal testing overall to be ceased globally. We will now be proudly displaying the PETA company logo on our products for all new products and as packaging is updated. Our commitment to the PETA "Beauty without Bunnies program" is Group wide and covers all brands within the Group.

The Group is very focused on the environmental impact of its products and the Group is committed to becoming an industry leader for sustainable products and packaging. All unrecyclable plastics have now been removed from the outer

Chief Executive's Statement (continued)

packaging of our gifting, and we are progressing well with our journey of removing unrecyclable plastics from our all year-round products. The Group's product packaging therefore uses paper and cardboard wherever practicable, which enables the Group, the wholesaler and end user to recycle the waste effectively.

All new W7 brand products are being manufactured without parabens and the Company is reformulating existing products where feasible. No heavy metals such as TBTO (preservative) and other ingredients of concern are added to our products and all raw materials comply with the strict regulations applicable in the EU, USA, Canada and other markets in which we operate.

Marketing and PR

We continue to ensure our marketing programmes are both fresh and innovative, focused on both customer loyalty and showcasing our products to new potential consumers, with a particular emphasis on social media using brand ambassadors, influencers and make-up artists. Our online loyalty programme, initiated in 2020, continues to help retain customers and increase basket size.

Strategy

On an annual basis the board reviews and appropriately adapts its three-year strategic plan for the business based on 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 for 2023, forming the basis of the Group's development through to 2025. The plan is designed to drive shareholder value and has defined targets for sales, EBITDA, earnings per share and cash generation with a particular emphasis on driving incremental EBITDA growth.

The strategic plan comprises six key pillars:

- **Develop and build the Group's brands and provide new product development that meets changing trend and consumer needs**

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 brand hierarchy; non-core brands and products have been eliminated; that close-out continues to reduce as a proportion of sales; and the Group delivers quality new product development, category extensions where appropriate to the brand and gifting sets that are on-trend and meets the consumers changing needs.

- **Develop and nurture the current core business**

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, however, significant potential to be realised and further distribution gains 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.

- **Grow market share in the UK**

The business continues to focus on increasing the presence of the Group's brands in channels that our consumers shop in, to increase accessibility and drive profitable market share growth. As a result of this strategy, the Group has successfully launched the W7 brand into Tesco, where distribution gains across all store formats continue to be driven, into Boots, and the Technic and Body Collection brands into wilko. It continues to have active discussions with other major retailers who are currently in channels that the Group is yet to materially supply to and expanding the UK customer base is a key focus of management. For example a trail successfully activated in 20 New Look stores in the fashion retail sector in Autumn 2022, will be rolled out to a further 200 New Look stores in mid 2023. This is a particular focus as the business continues to capitalise on consumers and retailers across all sectors alike who are increasingly looking to provide quality products to their customers at affordable prices.

- **Grow market share in the USA and China**

The USA and China continue to provide a major growth opportunity for the Group. In the USA, the Group has established distributor and agency channels and is using employees to directly sell to retailers. A compelling core product range for the USA has been established with minimum margin requirements. The business is focused on targeted customer initiatives that have gained both gifting and all year around listings with major retailers across key channels. In China the Group conducts business locally through its Chinese subsidiary company. 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 development of relationships with distributors in the region who have the capability to drive sales of the W7 brand via a W7 storefront on on-line marketplaces.

- **Develop the online/e-commerce strategy for brand development and profitable sales**

The Group aims to grow and maximise profitable sales across the Group's on-line sales 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, USA and key European markets on Amazon 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 Japan in 2023. 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 wants 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.

- **Develop and implement appropriate strategies that ensure Warpaint reduces its impact on the environment**

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.

Brands

In 2020 we undertook a review of all our brands, and since then the Group has concentrated on its core W7, Technic, Body Collection, Man'stuff and Chit Chat brands, being those with the most compelling market position.

Customers & Geographies

The largest markets for sales of our Group brands are in the UK and continental Europe. In 2022 our top ten customers represented 60% of revenues (2021: 57%). Group sales are made in 43 countries (2021: 43).

UK

The UK accounted for 43% Group sales in 2022 (2021: 51%), with UK sales increasing by 9% to £27.6 million (2021: £25.3 million). Sales growth in the UK was seen by both our lead brand W7, which increased by 7%, and the Technic brands, which increased by 24%. UK sales in Q1 2023 are 23% ahead of the same period in 2022.

The top ten UK Group customers accounted for 74% of UK sales in 2022 (2021: 71%). Particularly strong growth was seen during the year with Asda and Bodycare. Additionally, after an initial trial of W7 product in 20 New Look stores, the Group is now rolling out W7 product to a further 200 New Look stores during 2023. We are also in continued talks with Tesco to increase the W7 offering in their stores and anticipate further expansion across their estate this year.

Europe

In 2022 Group sales in Europe increased by 56% to £28.1 million, compared to £18.0 million in the same period in 2021, making this the largest sales region for the Group, accounting for 46% of Group branded sales in 2022, and 44% of overall Group sales in 2022 (2021: 36%). Sales for the Group's brands into Europe are mainly to Denmark, Spain, France and Sweden and during the year strong growth was seen particularly through increased sales to certain existing European customers as the number of these customers stores served by the Group was expanded. Group sales in Europe in Q1 2023 continued to accelerate and were 41% ahead of the same period in 2022.

USA

USA sales, in sterling terms, increased by 79% in 2022 to £5.3 million (2021: £3.0 million) and grew by 55% in US dollar terms. This equated to 8% of overall 2022 Group sales (2021: 6%). In the US 97% of sales in 2022 (2021 89%) were from the sale of the Group's brands as minimal close-out activity was undertaken, in line with the Group's strategy to focus on its own brands.

A good performance was seen from the Group's major customers in the USA, including CVS, Five Below, Macys Backstage, Marshalls, and TJ Maxx. Six significant new accounts were added in the US in 2022, including with CVS, where a large Christmas 2022 order was delivered, and with H-E-B stores, a Texas based supermarket group, where an extensive range of nail polish was launched in 280 of their stores in the last quarter of the year. From July 2023 it is expected that a full range of 120 W7 colour cosmetics products will be stocked in 80 of the H-E-B stores.

A further agreement was reached to launch a range of 60 W7 cosmetic products in 190 CVS BIRL stores, from January 2023, and initial sales have been ahead of expectations. Additional orders have also been received from Nordstrom Rack and Sallys in the US, where a significant order has been received for delivery in July 2023. US sales in Q1 2023 are 61% ahead of the same period in 2022.

Rest of the World

Sales in the rest of the world decreased by 16% from £3.7 million in 2021 to

Chief Executive's Statement (continued)

£3.1 million in 2022 accounting for 5% of overall Group sales (2021: 7%). The reduction in sales was primarily as a result of the timing of sales orders in Australia, which is a key country for Warpaint in the rest of the world region. The focus in the rest of the world region continues to be on Australia, China and other countries where profitable sales in appropriate volumes can be made. The Group has no suppliers in either Russia or Ukraine, and no significant historic sales to either country.

People – Cost of Living Bonus

The board recognises that we are living in difficult times, with inflationary pressures causing significant increases in the cost of living. To provide some assistance with these increased living costs and to acknowledge the exceptional efforts in a record period for the Group, all of the Group's 122 employees (which excludes the board members) were awarded a payment of £1,000 over and above their normal remuneration in October 2022.

Summary and Outlook

I am delighted with the Group's performance in 2022. We have enjoyed strong growth in sales and that these sales have been achieved at a significantly improved gross margin, despite supply side inflationary pressures, is a significant achievement. To date the Group has been largely able to mitigate supply side inflation with a price rise implemented in January 2022, sourcing product from new factories, and new product development, all of which are ongoing. In 2023, together with significantly reduced transport costs, we remain confident that margins can be maintained.

Whilst we continue to experience good growth in the UK, I am particularly pleased with the growth we are seeing in continental Europe and the US. We have put in place a robust supply chain and distribution network to ensure that we are able to supply our retailer's outlets on time with the product that their customers are demanding. The Group is also in active discussions with new major retailers globally and with certain existing customers regarding expansion of the range of the Group's products stocked.

Online sales also continue to grow and the focus remains on ensuring they can deliver a similar margin to the Group's sales through traditional physical outlets. In 2023, the Group will launch online sales in Japan through Amazon, a similar model to that successfully deployed in the US.

Trading in 2023 has started strongly with a record first quarter. Sales for the first three months of 2023 are approximately 40% ahead of the same period in 2022, 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 in the full year 2022.

We will update further on our progress later in the year and with significant opportunities for further growth, both already secured with our existing retailers and in discussion with additional 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
25 April 2023

SAPPHIRE
TAHITIAN PEARL
ACID
EMERALD
ENVY
RIVIERA
VENICE
SHAMROCK
ZESTY
OLIVE
OLD FASHIONED
VIEUX CARRE
COLUMBINA
ATTIRE
CIDER
INVITATION
IL DOTTORE
LIVING
TUSCAN SUN
PEACHY
MORETTA
FEATHERS
FLAMBEAUX
CARNIVAL
ALTER EGO
MARDI GRAS
BALL
GLOWSTICK
JAMMIN
VOLTO
VAN DYCK
BEADS
ROYALTY
KREWE
IDENTITY
MIDNIGHT
BACCHUS
BEHAVE
REX
UNMASK

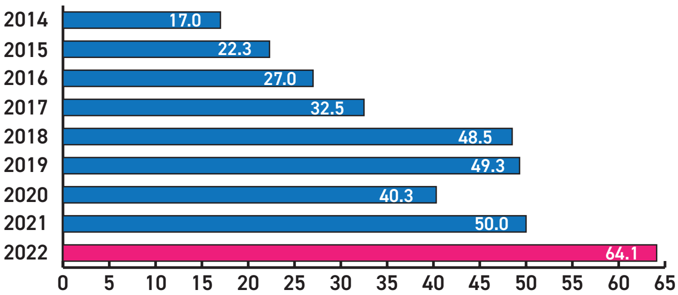
Neil Rodol

Chief Financial Officer's Review

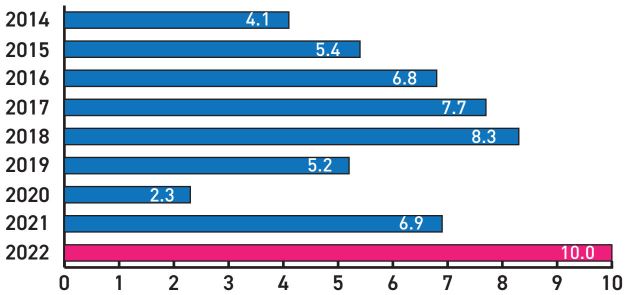
2022 was a record year for the Group, with strong growth in sales, margins and profit before tax. Group revenue increased in the year by 28% and adjusted profit before tax increased by 46%. Gross margin improved in the year by 2.6% to 36.4%. This is the second year running that gross margin has improved despite some increased costs in the supply chain. The Group continues its strategy of building the W7 and Technic brands in the UK and internationally, and we remain focused on margin, being debt free, and generating cash.

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

Revenue (£m)
2022: £64.1 million +28%



Adjusted profit before tax* (£m)
2022: £10.0 million +46%



* 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:

	2022	2021
Statutory PBT	**£7.69m**	£3.73m
Exceptional Items	£0.15m	£0.58m
Amortisation of acquired intangibles	£2.00m	£2.39m
Share based payment	£0.19m	£0.18m
***Adjusted PBT**	**£10.03m**	£6.88m

Exceptional items include £nil of staff restructuring and voluntary redundancy costs (2021: £0.03 million), £nil of non-recurring legal costs (2021: £0.18 million), and £0.15 million for content use and associated legal fees (2021: £0.37 million).

Headline results, shown below, represent the performance comparisons between the consolidated statements of income for the years ended 31 December 2021 and 31 December 2022.

Revenue

Group revenue for the year increased by 28.1% from £50.0 million in 2021 to £64.1 million in 2022.

Company branded sales were £57.7 million in 2022 (2021: £44.4 million). Our W7 brand had sales in the year of £35.0 million (2021: £25.9 million). Our Technic brand contributed sales of £22.7 million (2021: £18.5 million).

Our Retra subsidiary business had sales of retailer own brand white label cosmetics of £2.6 million in the year (2021: £1.1 million). The white label business is traditionally cost competitive and Retra chooses which projects to undertake based on commercial viability, in particular margin.

The close-out business revenue reduced by 15.8% from £4.5 million in 2021 to £3.8 million in 2022 as the Group, in line with its strategy, continued to reduce its focus on close-out opportunities.

In the UK sales increased by 8.8% to £27.6 million (2021: £25.3 million). Internationally, revenue increased 47.8% from £24.7 million in 2021, to £36.5 million 2022. In Europe Group sales increased by 55.6% to £28.1 million (2021: £18.0 million). In the rest of the world Group sales decreased by 16.0% to £3.1 million (2021: £3.7 million). In the US Group sales increased by 78.8% to £5.3 million (2021: £3.0 million).

E-commerce sales continued to grow in the year and now represent 4.3% / £2.8 million of group revenue (2021: 2.7% / £1.3 million).

Product Gross Margin

Gross margin was 36.4% for the year compared to 33.8% in 2021. Our management teams across the Group were swift to recognise and navigate cost headwinds that started in 2021. New product development, sourcing product from new factories, and an inflationary price increase to customers at the start of the year, have all helped achieve a significant gross margin improvement in 2022.

The cost of freight from the Far East is a significant cost of goods throughout the Group. Container freight rates which increased dramatically in 2021, started to slowly fall in 2022 by on average 20%. As we end Q1 2023 freight rates have fallen from record highs in 2021 to now record lows in 2023, which are currently 80% lower year on year and, if maintained, will help to improve our gross margin in the current year.

We remain focused on improving gross margin where possible in all our businesses and are making good use of our Hong Kong buying office to ensure this happens. To counter 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 is growing.

At 31 December 2021 options were in place for the purchase of US$27 million at US$1.3849/£; this has helped to protect our margin in the turbulent foreign exchange markets. Towards the end of 2022 we purchased various options to help protect our gross margin in 2023, these included traditional forward purchase foreign exchange options for US$3 million at US$1.2146, and more complex forward purchase foreign exchange options which will deliver a minimum of $18 million to a maximum of $36 million at an average rate for 2023 of $1.1984/£. Since the start of this year we have purchased more forward options to help protect our gross margin in 2023.

The currency options we have for the current year, the falling container rates, new product development, sourcing, and growing sales in the USA, will all help to protect our margin in 2023.

Operating Expenses

Total operating expenses before exceptional items, amortisation costs, depreciation, foreign exchange movements and share based payments, grew more slowly than sales, increasing by 24.1% to £11.4 million in the year (2021: £9.2 million). Operating costs as a percentage of sales reduced from 18.4% to 17.8%.

The overall increase of £2.2 million in the year was necessary to support the growth of the business.

Increased costs amounted to £2.3 million and were made up of increases in wages and salaries, office costs, travel costs, the spend on PR and marketing as e-commerce sales continue to grow, professional fees and the cost of a larger sales team based in the US.

Included in the increase to wages and salaries is a one off cost of living crisis payment of £0.1 million to all of the Groups employees excluding board members.

The increase in office costs includes an extra £0.06 million of utility charges. At current rates utility costs are expected to increase in 2023 by a further £0.08 million.

There was a decrease in the charge for bad debts of £0.1 million.

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 success of the business. Adjusted EBITDA for the year was £11.9 million (2021: £7.7 million).

Chief Financial Officer's Review (continued)

Profit Before Tax

Group profit before tax for the year was £7.7 million (2021: £3.7 million). The material changes in profitability between 2022 and 2021 were:

	Effect on Profit
Sales volume growth	£4.7 million
Margin growth	£1.7 million
Increase in operating expenses	(£2.2) million
FX gain in 2022 £0.1 million (2021: Gain £0.6 million)	(£0.5) million
Increase in finance costs	(£0.2) million
Increase in depreciation and amortisation of right-of-use assets	(£0.3) million
Decrease in the charge for amortisation costs on acquisition*	£0.4 million
Decrease in exceptional costs	£0.4 million

* Acquisition costs are amortised over 5 years. The reduction in 2022 reflects the end of the write off period since the purchase of Retra in November 2017.

Exceptional Items

Exceptional items include £nil of staff restructuring and voluntary redundancy costs (2021: £0.03 million), £nil of non-recurring legal costs (2021: £0.18 million), and £0.15 million for content use and associated legal fees (2021: £0.37 million).

During the year 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.

Tax

The tax rate for the Group for 2022 was 19% compared to the UK corporation tax standard rate of 19% for the year. 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 was 8.14p and 8.11p respectively in 2022 (2021: 3.69p and 3.68p).

The adjusted basic and diluted earnings per share before exceptional items, amortisation costs and share based payments was 11.19p and 11.15p respectively in 2022 (2021: 7.80p and 7.79p).

Dividends

The board is recommending a final dividend for 2022 of 4.5 pence per share, making a total dividend for the year of 7.1 pence per share of which 2.6 pence per share was paid on 25 November 2022 (2021: total dividend of 6.0 pence per share, of which the interim dividend was 2.5 pence per share and the final dividend was 3.5 pence per share). The dividend for the year was covered 1.6 times by adjusted earnings per share.

Cash Flow and Cash Position

Net cash flow generated from operating activities was £8.4 million (2021: £5.1 million). The Group's cash balance increased by £1.8 million to £5.9 million in 2022 (2021: £4.1 million). The cash generated was principally used to make dividend payments in the year.

We expect 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 2022 £0.29 million was spent on store furniture for Tesco, Boots and wilko (2021: £0.49 million), £0.42 million was spent on warehouse improvements, new forklifts and racking (2021: £0.04 million), £0.09 million was spent on new computer software and equipment (2021: £0.02 million), and £0.03 million was spent on other general office fixtures and fittings and plant upgrades (2021: £0.04 million).

Given the growth of the Group in the last two years it is necessary and prudent to have bank facilities available to it to help fund day to day working capital requirements as the Group continues to grow. Accordingly the Group maintains a £9.5 million invoice and stock finance facility which is used to help fund imports in our gifting business during the peak season. At the year end no invoice and stock finance remained outstanding (2021: £nil million). In addition, in February 2023 the Group added a new "general purpose" facility of £3 million. These facilities, together with the Groups positive cash generation and the growing cash balance held, ensure that future growth can be funded.

LTIP, EMI & CSOP Share Options

On 17 October 2022 CSOP share options were granted over a total of 20,000 ordinary shares of 25p each in the Company under the Warpaint London plc Company Share Option Plan. The options provide the right to acquire 20,000 ordinary shares at an exercise price of 132.5p per ordinary share.

On 2 March 2022 EMI (non-qualifying) share options were granted over a total of 200,000 ordinary shares of 25p each in the Company under the Warpaint London plc Enterprise Management Incentive Scheme. The options provide the right to acquire 200,000 ordinary shares at an exercise price of 127.5p per ordinary share.

The LTIP, EMI & CSOP share options had an immaterial dilutive impact on earnings per share in the period. The share-based payment charge of the LTIP, EMI and CSOP share options for the year was £0.19 million (2021: £0.18 million) and has been taken to the share option reserve.

Balance Sheet

Inventory was £0.6 million higher at the year end at £18.7 million (2021: £18.1 million). The rise in inventory is a function of growth in 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 £0.37 million, 1.9% at the year end (2021: £0.52 million, 2.8%). 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 0.9% 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 £9.9 million (2021: £8.8 million), the increase on 2021 due to the rise in sales year on year. The provision for bad and doubtful debts carried forward at the year end was £0.07 million, 0.7% of gross trade receivables (2021: £0.07 million, 0.8%).

The Group has no borrowings or lease liabilities outstanding at the year end (2021: £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 £4.1 million in the year, to £30.3 million. The main components were an increase in inventory of £0.6 million, an increase in trade and other receivables of £1.4 million, an increase in cash at the year end of £1.8 million, and a decrease in trade and other payables of £0.3 million.

Free cash flow (cash from operating activities less capital expenditure) remained strong at £7.6 million (2021: £4.5 million).

The Group's balance sheet remains in a very healthy position. Net assets totalled £37.8 million at 31 December 2022, an increase of £1.7 million from 2021. Most of the balance sheet is made up of liquid assets of inventory, trade receivables and

Chief Financial Officer's Review (continued)

cash. Included in the balance sheet is £7.3 million of goodwill (2021: £7.3 million) and £0.3 million of intangible fixed assets (2021: £2.3 million) arising from acquisition accounting. As at the year end cash totalled £5.9 million (31 December 2021: £4.1 million).

Goodwill represents the excess of consideration over the fair value of the Group's share of the net identifiable assets of the acquired business / cash generating units at the date of acquisition. The carrying value at 31 December 2022 of £7.3 million included Treasured Scents Limited (Close-out business) £0.5 million, Retra Holdings Limited £6.2 million and Marvin Leeds Marketing Services, Inc. £0.6 million. Management have performed the required annual impairment review at 31 December 2022 and have 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 £5.7 million of right-of-use assets, this is the inclusion of the Group leasehold properties, now recognised as right-of-use assets as directed by IFRS 16. An equivalent lease liability is included of £5.9 million at the balance sheet date.

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 purchase foreign exchange options when rates are deemed favourable, and with consideration for the budget rate set by the board for the year. Similarly, foreign exchange options are taken to sell forward our expected Euro income in the year to ensure our sales margin is protected.

We started 2022 with options in place for the purchase of US$27 million at US$1.3849, and the sale of €3.9 million at €1.1558. During 2022 when currency rates were favourable, we purchased additional US dollar foreign exchange options and spot rate amounts to cover our total US dollar requirement for the year.

In addition, towards the end of 2022 we purchased various options to help protect our gross margin in 2023, these included traditional forward purchase foreign exchange options for US$3 million at US$1.2146, and more complex forward purchase foreign exchange options known as Window Barrier Accruals and Counter TARFs which will deliver a minimum of $18 million to a maximum of $36 million (depending on the dollar rate at maturity of each option) at an average rate for 2023 of $1.1984/£. We also sold €3.8 million at €1.1340. All of these options were outstanding at 31 December 2022.

The Group has a natural hedge from sales to the US which are entirely in US dollars, in 2022 these sales were $6.32 million (2021: $4.08 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 25 April 2023.

Neil Rodol
Chief Financial Officer
25 April 2023

Risk Management

Warpaint is exposed to a variety of risks that can have financial, operational and regulatory impacts on our 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 overseas 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. We continue to review our hedging policy to ensure it remains appropriate while we look to increase our international business. There is a Group FX committee made up of senior management who communicate regularly. Whenever possible FX is purchased (using foreign exchange forward options) at, or as close as possible to, the budget rate to cover the annual needs of the business.

Reliance on Key Suppliers

In 2022 one key supplier from China was responsible for approximately 22% (2021: 24%) of the Group's brand ranges of colour cosmetics. If there were some catastrophic event that reduced or stopped the supply from this key supplier then the directors 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 stock 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. The directors have every colour cosmetic ingredient independently checked by a qualified chemist for compliance with UK, EU and when necessary and any other relevant legislation, including in the USA, 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 350 stores across Denmark, Norway, Sweden, Finland, Holland and France. In 2022 this customer represented 17.5% (2021: 10.2%) of Group revenue. We currently have an excellent working relationship with this customer. Significant awareness of our Group brands has been built up by this customer. The directors believe 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 Denmark, Norway, Sweden, Holland and France.

Location

The Group has the majority of its operations and assets split across two locations in Iver and Silsden in the UK; if a fire were to befall either of the premises occupied by the Group, 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 the 1 January 2021 new terms of trading with our 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 we were well prepared for having taken expert advice from customs experts and shippers. We have made good use since the start of 2021 of our wholly owned subsidiary Warpaint Cosmetics (ROI) Limited in the Republic of Ireland specifically to help protect us against any UK/EU cross-border disruption, and to serve our European customers from a Euro Hub to provide an alternative supply route. In addition, one of our wholly owned subsidiaries is registered for VAT locally in the Netherlands, to provide another route into the EU in order to serve our customers more efficiently.

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 review and invest in the development and maintenance of our IT infrastructure, systems, and security. We have in place disaster recovery and business continuity plans that are tested annually. The Group have 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 our customer base may temporarily close down. In a pandemic situation we 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, we 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 25 April 2023 and signed on its behalf.

Neil Rodol
Chief Financial Officer

Environmental Social and Governance Report

Introduction

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

This report outlines the actions taken, business practices, and policies and procedures adopted to address our environmental, social and governance obligations and responsibilities. These will be reviewed throughout 2023 and in subsequent years, to measure progress and to scope further objectives and outcomes to improve our 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 we report on the Group's environmental and sustainability impact in the financial year ended 2022, we are proud of the progress we have made and continue to strive for a future where our planet is cared for and we create value not only for our Company, but for the collective success of all our stakeholders.

We are 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 2022 we implemented a programme with Planet Mark to measure and report against our Scope 1 and 2 emissions in 2023, review our onsite energy, water and recycling management, and to support us in developing our factory sustainability assessments.

- **Products:** We have initiated a product and packaging reduction and alternative strategy, accelerated our compliance with product and packaging regulations compliance and rationalised our packaging supply sources. Building on work undertaken in 2022, the Group has joined PETA's "Beauty Without Bunnies Program", helping to provide clarity to our customers that our products are cruelty free.

- **People:** Our commitment to our employees remains at the forefront of our people focus along with the development of corporate and community charity initiatives

- **Performance:** Our progress against defined goals and targets will be measured and reported on for the year ended 2023.

Our Planet and the Environment

Planet Mark

Climate change is one of the greatest challenges of our time, 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.

CO_2 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 our carbon footprint plays a fundamental role in creating an environmental strategy that mitigates risk and maximises the opportunities to reduce our CO_2 emissions and start our journey towards net-zero. As a business we are committed to reporting our progress with transparency, verifiable data and science based methodologies to support our long-term strategy and drive improvements.

The Group is working with Planet Mark, an independent consulting group experienced in the measurement, development and communication of carbon and social data and goals. It provides a sustainability certification for organisations and their products. The Group's initial core engagement with Planet Mark is in relation to its Scope 1 and 2 emissions, which will be measured and benchmarked to provide an initial certification from which continuous improvement may be tracked against identified goals. We will also continue working towards measuring our full supply chain emissions (Scope 3) with the ambition to have targets in place during 2024.

Throughout 2023 the Group will be collating the necessary energy consumption, waste and water usage data to enable an initial measurement to be produced and adopted and our initial Planet Mark certification is expected to be available by Q3 2023. Targets and goals will be developed which will be communicated and disseminated throughout the Group and beyond to ensure that our stakeholders are engaged and fully aligned with the Group's aims in order that progress may be achieved.

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. This shows that the Group's Intensity ratio (tCO_2e per m^2) for the year ended 31 December 2022 was 6.1, a reduction from 6.7 for the year ended 31 December 2021.

Environmental Social and Governance Report (continued)

Our Premises and Logistics
Our corporate office at Iver, UK, is a 'green' building with an 'A' rated energy certificate with efficient, sensor based low halogen lighting. At both Iver and Silsden Head Offices we have installed electric car charging points which our employees can use free of charge, encouraging them to adopt electric vehicles.

We have recently moved our secondary UK warehousing site from Leicester to a site close to Iver. This will reduce the time and geographical distance required to transport stock between sites, thereby reducing the environmental impact of our business.

We continue to seek to improve the environmental performance of our sites, to reduce energy consumption and improve our energy efficiency throughout the business, and at our Silsden site, we are in the process of replacing all energy heavy fluorescent and halogen lighting in our warehouses with motion activated LED lighting which will have an estimated 50% reduction in our energy consumption.

Reducing physical waste is also a key part of our sustainability objectives, and in 2022 we have made progress in ensuring that onsite recycling is easily accessible across our offices and warehouses, including glass, plastic and paper recycling and Terracycle recycling boxes for cosmetic packaging. We have also strengthened our industrial waste removal programme.

We are mindful of our carbon footprint in the shipping and transportation of our products from our suppliers to our warehouses and customers. The Group seeks 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.

A large percentage of our interaction with suppliers and retail customers now takes 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, ensuring this does not detract from the need to hold face to face meetings where this is conducive to a more productive relationship. This aims to reduce the environmental impact of our travel and is reflected in the Group's travel policy, which encourages essential travel only. Where air travel is deemed necessary the use of airlines which provide carbon offset is encouraged wherever possible.

Our business has evolved such that attendance at trade shows and exhibitions has reduced and we aim to attend virtual trade shows, wherever possible.

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. We support cruelty free alternatives to animal testing to become compulsory and animal testing overall to be ceased globally.

Building on preparatory work undertaken in 2022, in February 2023 the Company joined the PETA "Beauty Without Bunnies Program", a globally recognised programme demonstrating our commitment to PETA's Global Animal Test-Free standard. In line with this standard we agree that we shall not conduct, commission, or pay for animal testing of any products, nor will we conduct, commission, or pay for animal testing of ingredients used in, or formulations of, such products. We commit to continue to ensure that our suppliers of ingredients do not conduct, commission, or pay for tests on any ingredients used in our products. We will continue to ensure our suppliers/ manufacturers of our finished products do not and shall not conduct, commission or pay for animal testing of any products.

We now be proudly displaying the PETA company logo on our products for all new products and as packaging is updated. Our commitment to the PETA programme is Group wide and covers all brands within the Group.

Product Ingredients
All new Warpaint products are manufactured without parabens and the remaining existing products containing parabens are being reformulated. Our goal is for all Group products to be paraben free within the next 12 to 18 months.

We have a dedicated vegan range, Very Vegan. The majority of the Group's products are vegan and all are expected to be so within the next 12 months.

No heavy metals such as TBTO (preservative) and other ingredients of concern are added to our colour cosmetic products and all raw materials comply with the strict regulations applicable in the EU, USA and Canada and the 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, through this membership we can ensure we are at the forefront of industry news, issues, and of course regulatory compliance both here in the UK and globally. We have 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
Our suppliers provide "Good Manufacturing Practice Certificates" for all of the factories used in the manufacture of the Group's goods. The Group's main suppliers also produce for worldwide 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 with the Group 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.

We are 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, we are seeking to enhance our 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 the outer packaging of our gifting, and we are progressing well with our journey of removing unrecyclable plastics from the packaging of our all year-round products.

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

We are already plastic free in some products and have 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 our product casings has previously been challenging to remove, but with our material developments and understanding, we are 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 way.

We are confident that current unrecyclable plastics within our products will be replaced with the most reusable and recycled plastic materials available. This will ensure we are achieving Government Guidelines for our responsibilities as a brand and producer. Once this development is complete, these will be implemented to reduce and ensure recyclability for these plastic products before the new EPR ('Extended Producer Responsibilities') regulations come into force during 2024.

Our dedicated Group Packaging and Sustainability Lead is responsible for seeking sustainable solutions for our products and packaging, aligned to our environmental responsibilities and goals. He is also responsible for ensuring the Group's compliance with the increasing regulation in this area, enabling us to continue our 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.

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

We also donate any Technic and Body Collection excess stock that we can no longer trade to local hospital staff and charities such as the "Look Good Feel Better" cancer charity, having a positive social impact on our community as well as supporting our waste reduction.

The Group introduced virtual cosmetic product testers in 2022 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

We aim for inclusivity with our products and encourage and promote 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.

Environmental Social and Governance Report (continued)

Our Employees and Equal Opportunities
In recognition of the important role our people have played in the Group's success and the unprecedented increase in living costs, all employees (except the board) were provided a one-off £1,000 cost of living payment through the payroll in October 2022.

The health and well-being of our staff is paramount and 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. Promotions are 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.

We have a diverse workforce and promote equality of pay and opportunity throughout. Our employees are encouraged and nurtured to attain positions best suited to their ability, and we promote from within wherever possible.

The board does not have a formal policy or targets for diversity. The board has one female member 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. At senior management level there are 13 female managers and eight male managers, excluding the board. Throughout the Group, the proportion of female to male employees is approximately 65% to 35%.

Communities and Charitable Causes
Wherever possible we employ staff from the local areas and encourage the use of car sharing and public transport to reduce the impact on local roads. We manage the times of our incoming and outgoing deliveries to limit any disturbance to residents in the local area. As a rule, we use 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 made 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" – We have aligned our Body Collection England brand with the Look Good Feel Better charity who run wellbeing workshops and classes for people living with cancer. As part of British Beauty Week 2022, we hosted a Wellbeing Event at our offices in Silsden to raise awareness and funds for the charity and will continue to fundraise and sponsor their ongoing agenda across 2023.
- In 2022 our Technic Brand became official sponsor of Farsley Celtic U16s, a girls netball team in our local community. 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. We have supported the team with the purchase of their kit, donated products for local fundraising and provided work experience at our 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 Anniemals have created a book that helps children to understand the impact of plastic on the environment through the magic of storytelling. In 2022 Warpaint became an established corporate partner of Anniemals, and so far, we have funded 100 Freddie the Jellyfish book donations to 18 primary schools close to our Silsden office.

Diverse Products
We recognise the importance of our products to our consumers whatever their gender, sexuality or racial background and seek to ensure they are inclusive for all.

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

We recognise our products are gender neutral and for example our Brow King palette was created in collaboration with celebrity brow stylist, Salih Cikikcioglu, we have other product and marketing collaborations with male influencers, and our, 'Here Come the Boys' campaign showcased W7's makeup products with ten male-identified bloggers and makeup artists.

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 for consideration.

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 2022 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 our administration teams. For end user customers feedback is garnered through the peer to peer review site Yotpo, and social media such as Facebook, Twitter, Instagram and Pinterest. The Group's consumer customers frequently contact the Company by 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. We endeavour to respond to all customers who contact us 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 our product range.

Distributors

We seek to strengthen our relationships with our distributors to garner feedback and provide support with regular meetings, attendance at trade shows and by maintaining close contact with them through our sales representatives. Our 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 us 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 our 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 2022.

Community and Social Responsibilities

We have 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 of 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 2022, 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 to ensure that it continues to 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
All employees (except the board) were provided a one-off £1,000 cost of living payment through the payroll in December 2022.	This recognised the important role our people have played and will continue to play in the Group's success and the unprecedented increase in living costs.
Decision in 2022 to 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.
Decision to initiate a new product development and sustainability drive to: • Use cardboard or paper packaging wherever possible • Seek to remove or reduce the majority of unrecyclable plastics from all of our product packaging • Test for alternative materials with a view to using the most recyclable and reusable plastics in our products and product casings • Remove all parabens over the next 12 to 18 months • Investigate the possibility of making the entire W7 brand vegan friendly as soon as practically possible and within the next 12 months Introduction of virtual cosmetic product testers which are more hygienic, provide cost savings and are more eco-friendly. Decision to restrict travel (particularly air travel) in future and to conduct business virtually where practicable	To reduce the impact of the Company's operations on the environment.
Decision to move Warpaint's secondary warehousing from Leicester closer to Iver, to ensure a reduction in the time and geographic distance travelled in the movement of stock.	To improve the Company's business operations providing greater efficiency and lessen the Group's environmental impact.
The decision made to renew the contract with Ward & Hagon Management Consultancy LLP in 2022, to provide continued assistance and resources to develop and implement 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.
Declaration of an interim dividend of 2.6p per share which was paid on 25 November 2022. 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 2022, with an online presentation and Q&A session which was open to all existing and prospective shareholders. The Chief Executive Officer, Managing Director and Chief Financial Officer attended and presented at Mello 2022 in May 2022, an important event enabling private investors to engage with and gain information about the strategy and performance of the Group. The Chief Executive Officer has taken part in several online conferences and Q and A sessions in 2022 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.

Members of the Board

From left to right: Paul Hagon, Sam Bazini, Eoin Macleod, Clive Garston, Neil Rodol, Sally Craig and Keith Sadler

Board of Directors

Clive Garston, Non-Executive Chairman (Insider Committee (Chair), Remuneration Committee, Audit Committee)
Clive has been Non-Executive Chairman of the Group since November 2016. He 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. He has also been 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. He 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 (Insider Committee)
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. Selling directly to the public gave Sam an invaluable insight into consumer needs and 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

Neil Rodol, Chief Financial Officer (Insider Committee)
Neil joined the Group in August 2015, having previously been an adviser to the business for several years. He has overseen the introduction of new systems and procedures. He joined the board as Chief Financial Officer in November 2016. Prior to joining the business he was involved in several corporate purchases and acquisitions. In 2006, he sold his publishing company to a quoted group and became the group licensing director; in 2014 he completed a management buyout. 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, Group 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. She is a solicitor and has previously practised as a corporate lawyer. She has many years' experience providing company secretarial services to private and public companies in the UK including then AIM quoted, Osmetech plc. She holds an honours degree in law from Manchester Metropolitan University.

Skills: Legal, company secretarial and public company experience

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 the renewal 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 for whom he had also been a board member for 20 years.

Skills: Retail and wholesale business experience and strategic planning

Keith Sadler, Non-Executive Director (Audit Committee (Chair), Remuneration Committee (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.

Corporate Governance Report

Chairman's Introduction

I am pleased to present the Corporate Governance Report for the year ended 31 December 2022. 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

The board of directors (the "Board") 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.

This report sets out our approach to governance and provides further information on the operation of the board 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 of directors, taking into account 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 2023 forming the basis of the Group's development through to 2025. 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 10 to 11.

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 private 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 2.6p per share which was paid on 25 November 2022. In accordance with the Group's policy to pay appropriate dividends, the Board is recommending a final dividend for 2022 of 4.5p per share, making a total dividend for the year of 7.1p 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 private 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.

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 one non-executive director, Keith Sadler and five executive directors, Sam Bazini, Eoin Macleod, Neil Rodol, Paul Hagon and Sally Craig, who is also the Company Secretary. John Collier, a non-executive director, resigned on 31 December 2022.

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.

Although the UK Corporate Governance Code 2018 does not apply to the Company, under this code the Chairman would not be deemed independent and the Board has therefore decided that only Keith Sadler, the Board's non-executive director is presently independent. Following the departure of John Collier, it is the Board's intention to appoint an additional independent non-executive director in 2023. Subject to this, 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.

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

Corporate Governance Report (continued)

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.

In 2022 the Board met monthly (apart from in August and November) and these were supplemented by additional meetings where required for the proper management of the business. For 2023 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 meetings includes a dedicated focused strategy session.

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 14 times during the financial year ended 31 December 2022 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 2022

The following table shows directors' attendance at scheduled and *ad hoc* board meetings during the year.

	Board	Audit	Remuneration	Insider
Clive Garston	14/14	3/3	2/2	None
Sam Bazini	14/14	n/a	n/a	None
Eoin Macleod	13/14	n/a	n/a	n/a
Neil Rodol	14/14	n/a	n/a	None
Sally Craig	13/14	n/a	n/a	n/a
Paul Hagon	14/14	n/a	n/a	n/a
Keith Sadler	14/14	3/3	2/2	n/a
John Collier*	13/14	1/3	2/2	n/a

* Resigned 31 December 2022.

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 AGM immediately following their appointment. In accordance with the Articles, Clive Garston and Paul Hagon will retire by rotation and stand for re-election at the AGM to be held in 2023.

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.

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.

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

The Group's performance is reported 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.

Corporate Governance Report (continued)

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 in the light of 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.

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 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 Board committees 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

Following John Collier's resignation on 31 December 2022, the Audit Committee and the Remuneration Committee each comprises two non-executive directors: Keith Sadler (Chair of both committees) and Clive Garston. 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 2022, the Audit Committee met three times, the Remuneration Committee twice 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 Nominations Committee is required.

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.

Private Investors

The board recognises that the Annual General Meeting ("AGM") is an important opportunity to meet private 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 directors 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, Managing Director and Chief Financial Officer attended and presented at Mello 2022 in May 2022, an important event enabling private investors to engage with and gain information about the strategy and performance of the Group.

The Chief Executive Officer has 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, the Managing Director 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 2022, after the announcement of the Company's Interim Results for the six months ended 30 June 2022, 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.

Keith Sadler

Audit Committee Report

On behalf of the board, I am pleased to present the Audit Committee Report for the year ended 31 December 2022.

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 three non-executive directors: me (as Chairman), Clive Garston and John Collier. Following John's resignation on 31 December 2022, the Committee has consisted of two non-executive directors: me (as Chairman) and Clive Garston.

The Audit Committee is convened as required and met three times during the year ended 31 December 2022 to discharge its responsibilities *inter alia* in connection with the Group's Financial Statements for the year ended 31 December 2021 and the Interim Financial Statements for the six months ended 30 June 2022. 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 27 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 2022, 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 2021, 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 2021;
- 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 2022;

- Reviewed and agreed the external auditors audit strategy memorandum in advance of its audit for the year ended 31 December 2022, 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 2022 financial statements

An overview of the Company's approach to risk, risk management and internal controls through 2022, 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 David Perry. He has held the role for two years. The maximum term for which a partner in charge can perform the role is five years.

BDO has been auditor to the Group for six 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 2021 as noted above in respect of the audit for the year ended 31 December 2021. 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 27 June 2022 for the 2022 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 £197,000 to BDO for audit services in 2022, 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 £18,000 to BDO in 2022, for advice in relation to tax advice and interim reviews.

Committee performance and effectiveness
The Company is at a relatively early stage in its development and 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 25 April 2023.

Keith Sadler
Audit Committee Chairman

Keith Sadler

Remuneration Committee Report

On behalf of the board, I am pleased to present the Remuneration Committee Report for the year ended 31 December 2022.

The main objectives of the Remuneration Committee are to develop and implement compensation packages designed to attract and retain staff, creating opportunities for senior management and employees to participate in share option schemes and develop bonus arrangements which reward performance and incentivise employees, thus increasing 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. 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 year, the Committee consisted of three non-executive directors: me (as Chairman), Clive Garston and John Collier. Following John's resignation on 31 December 2022, the Committee has consisted of two non-executive directors: me (as Chairman) and Clive Garston. The Remuneration Committee is convened not less than twice a year and otherwise as required. The Committee met two times during the year ended 31 December 2022.

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 2022, 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.

External Advice

The Remuneration Committee did not receive any external advice in the year in meeting its responsibilities.

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 2022

	Salary £	Pension £	Benefits £	Bonus £	Total Remuneration 2022 £	Fair Value of Options £	Total Remuneration 2021 £
S Bazini	210,000	–	12,793	50,000	272,793	647,764	241,041
E Macleod	210,000	–	10,234	50,000	270,234	647,764	238,833
N Rodol	162,000	1,320	–	50,000	213,320	368,970	186,758
S Craig	60,000	1,320	–	2,500	63,820	11,762	61,758
C Garston	66,000	–	–	–	66,000	–	60,000
P Hagon	40,000	–	–	–	40,000	**70,800	40,000
K Sadler	44,000	–	–	–	44,000	–	40,000
J Collier*	40,000	–	–	–	40,000	–	13,333

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

As at 31 December 2022 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 2022	Exercise Price	End of Performance Period/First Exercise Date	Number of Shares at 31 December 2021 (or date of appointment if later)
S Bazini	LTIP	21.09.2018	1,534,986	254.5p	31.12.2022	1,534,986
E Macleod	LTIP	21.09.2018	1,534,986	254.5p	31.12.2022	1,534,986
N Rodol	EMI	29.06.2017	105,262	237.5p	29.06.2020	105,262
	LTIP	21.09.2018	306,996	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
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
P Hagon	EMI (Non-Qualifying)	01.03.2022	**200,000	127.5p	01.03.2025	–
C Garston	–	–	–	–	–	–
K Sadler	–	–	–	–	–	–
J Collier*	–	–	–	–	–	–

* Appointed 1 September 2021 and resigned 31 December 2022.
** Shares granted to consultancy company Ward & Hagon Management Consulting LLP, of which director Paul Hagon is a member.

Remuneration Committee Report (continued)

The directors, who held office at 31 December 2022, 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 2022	Number of Ordinary Shares held at 31 December 2022	Ordinary Shares as % of issued share capital	Number of Ordinary Shares held at 31 December 2021
S Bazini[a]	1,534,986	15,195,208	19.80	15,195,208
E Macleod[b]	1,534,986	15,195,208	19.80	15,195,208
N Rodol	662,258	103,961	0.14	103,961
S Craig	20,000	–	–	–
P Hagon	**200,000	31,145	0.04	31,145
C Garston	–	126,315	0.16	126,315
K Sadler	–	40,439	0.05	31,145
J Collier*	–	–	–	–

* Appointed 1 September 2021 and resigned 31 December 2022.
** 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 (2021: 4,250,000) shares are held by the wife of S Bazini
(b) 4,250,000 (2021: 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 2022 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 6 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) and Keith Sadler, (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 2022 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 2022. 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 4.5 pence per ordinary share to be paid on 4 July 2023 for the year ended 31 December 2022 which, when added to the interim dividend of 2.6 pence per share gives a total dividend for the year of 7.1 pence per share. In the year ended 31 December 2021 the final dividend per ordinary share was 3.3 pence per share and the interim dividend 2.5 pence per share, giving a total dividend for the year ended 31 December 2021 of 6.0 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 directors
K Sadler
J Collier*

* John Collier resigned on 31 December 2022 and was not a director at the date of authorisation of the accounts

In accordance with the Articles, Clive Garston and Paul Hagon 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 2022:

Shareholder	Number of Shares	%
S Bazini (including connected parties)	19,445,208	25.34
E Macleod (including connected parties)	19,445,208	25.34
Schroder plc	13,061,459	17.02
GAM Holding AG	3,900,000	5.08
BI Asset Management Fondsmæglerselskab A/S	3,532,367	4.60
Canaccord Genuity Group Inc	2,348,612	3.06

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.

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.

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 2022 to 31 December 2022 (with comparatives shown for the same period in 2021). The financial year 2020 was the first year we were required to report under the SECR framework. The tables below show for the financial years 2021 and 2022, the energy and GHG emissions from business activities involving the combustion of gas, the purchase of electricity, and business mileage in both kWh and tCO_2e.

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	**519,747**	**100,516**
Intensity ratio (tCO2e per m2)		**6.1**

Financial Year 2021	Energy Usage in kWh	GHG Emissions in tCO2e
Scope 1	137,693	25,220
Scope 2	294,702	62,574
Scope 3	38,933	8,947
Total for 2021	**471,328**	**96,741**
Intensity ratio (tCO2e per m2)		**6.7**

We have selected an intensity metric based on the energy consumption per square metre of area of our sites, this is of 6.1kg CO_2/m^2 in the year (2021: 6.7kg CO_2/m^2). We will use this ratio to monitor our energy efficiency performance over time.

The Group has implemented a range of energy efficiency measures at our sites in the year. These include an upgrade to internal and external LED lighting with motion sensors in all areas, a reduction in business travel by making more use of online meetings, improvements to heat insulation, and the installation of electric car charging points.

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-2022 and https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021 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

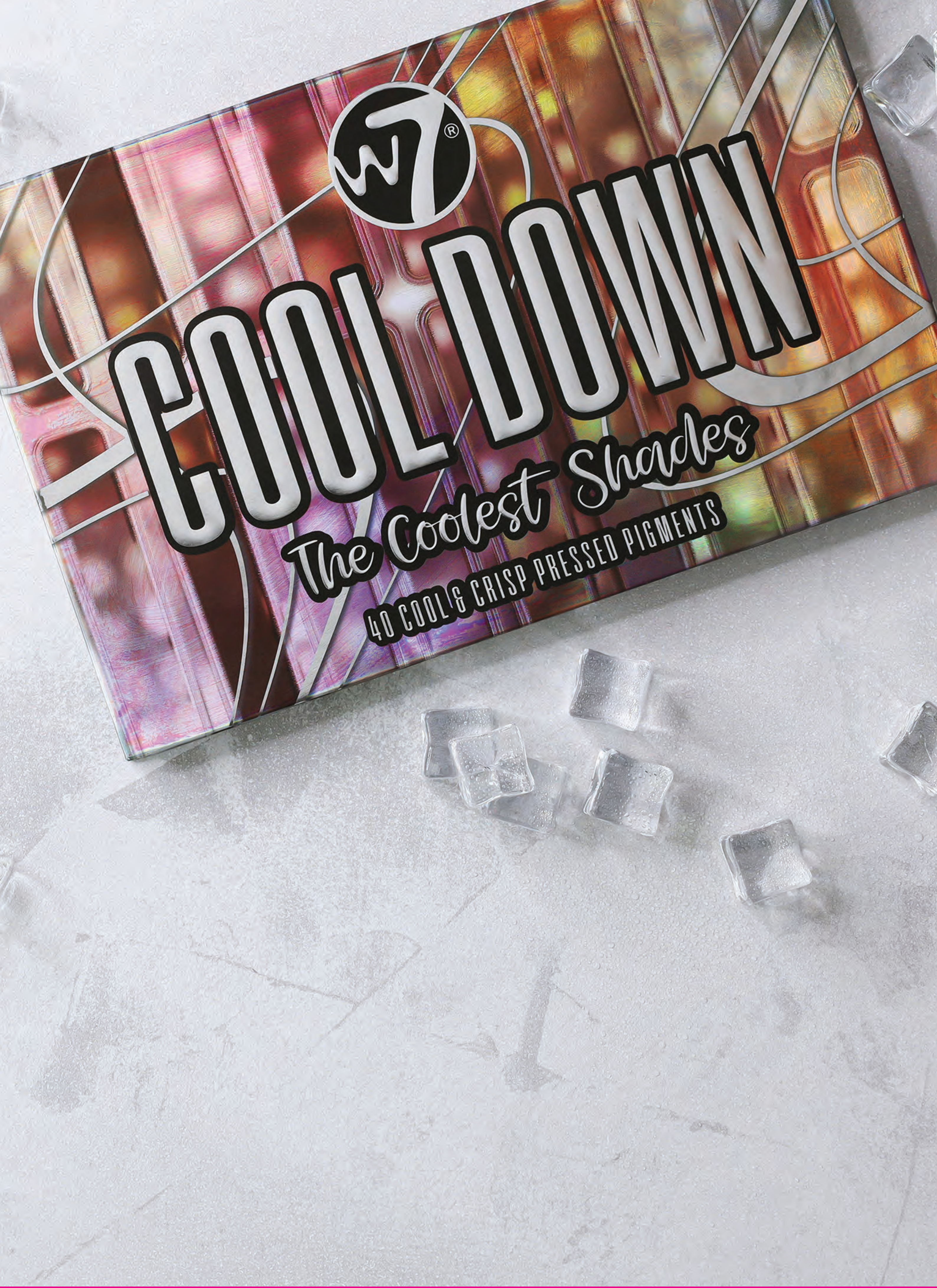
So far as the directors are aware:

(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.

On behalf of the board

Neil Rodol
Chief Financial Officer
25 April 2023


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 2022 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 2022 which comprise the consolidated statement of comprehensive income, the consolidated and Parent Company statements of financial position, the consolidated and Parent Company statements of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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

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 confirming 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% (2021: 87%) of Group profit before tax* *96% (2021: 90%) of Group revenue* *98% (2021: 98%) of Group total assets*		
		2022	2021
Key audit matters	Impairment of intangible assets and goodwill*	x	P
	Net realisable value of inventory	P	P
	Revenue recognition	P	x
	* Impairment of intangible assets and goodwill was no longer considered to be a key audit matter given the headroom available on the cash generating units when compared to values in use (refer to Note 9 of the financial statements) and the resulting impact on our risk assessment and response.		
Materiality	*Group financial statements as a whole* We determined a materiality level of £456,400 (2021: £364,000) based on 5% (2021: 6%) 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 £64.1m in the year, representing an increase on the prior year amount recorded of £50.0m. 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 customer; for overseas sales however the performance obligation can be considered to be fulfilled upon delivery to either the port of departure or subsequent import (according to the terms of sale agreed with the customer). Overseas sales are also recognised upon collection 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 and outlined above, given there may objectively be an incentive to delay revenue to the subsequent period. There may also be an incentive to accelerate revenues to further improve the Group's performance against market expectations. 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. For a sample of despatch notes for the last two weeks of the financial year and first two weeks of FY23, we inspected the underlying documents to check that revenue was recorded in the correct period. For a sample of delivery notes throughout the year, we agreed to relevant supporting documentation including sales invoices, amounts received in the bank statements and the general ledger to check that revenue was recognised appropriately. We obtained a listing of credit notes for FY22 and for a sample determined whether their recognition reflected the underlying substance of the transaction and were issued in the ordinary course of business. **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	
	2022 £	2021 £	**2022 £**	2021 £
Materiality	**456,400**	364,000	**410,700**	327,000
Basis for determining materiality	5% of profit before tax adjusted for exceptional items (2021: 6% of profit before tax adjusted for exceptional items).		90% (2021: 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% (2021: 90%) of group materiality given the assessment of the component's aggregation risk.	
Performance materiality	**319,000**	254,800	**287,000**	229,320
Basis for determining performance materiality **Rationale for the percentage applied for performance materiality**	70% (2021: 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% (2021: 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 70% and 90% (2021: 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 £319,480 to £410,700 (2021: £254,800 to £327,000). In the audit of each component, we further applied performance materiality levels of 70% (2021: 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £22,820 (2021: £18,200). 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, legal counsel and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations,

We considered the significant laws and regulations to be the applicable accounting frameworks, the Companies Act 2006, industry specific regulation, AIM listing rules and employment and taxation laws and regulations in the jurisdictions in which the Group operates. 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 any correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreement of other information to supporting documentation;
- 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:

- 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 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. This included those set out in the key audit matters section of our report;
- Performed journal entry testing, focusing 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.

David Perry

FCA (Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
London, UK
25 April 2023

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 2022

	Note	2022 £'000	2021 £'000
		Year ended 31 December	
Revenue	2	**64,058**	50,003
Cost of sales	2	**(40,724)**	(33,095)
Gross profit		**23,334**	16,908
Administrative expenses	3,4	**(15,367)**	(13,095)
Analysed as:			
Adjusted profit from operations[1]		**10,307**	6,970
Amortisation	3,9	**(1,995)**	(2,394)
Exceptional items	3	**(152)**	(586)
Share based payments	21	**(193)**	(177)
Profit from operations		**7,967**	3,813
Net finance cost	5	**(277)**	(88)
Profit before tax		**7,690**	3,725
Tax expense	6	**(1,440)**	(895)
Profit for the year attributable to equity holders of the parent company		**6,250**	2,830
Other comprehensive loss:			
Item that will or may be reclassified to profit or loss:			
Exchange loss on translation of foreign subsidiary		**(135)**	(4)
Total comprehensive income attributable to equity holders of the parent company , net of tax		**6,115**	2,826

Basic earnings per share (pence)	26	**8.14**	3.69
Diluted earnings per share (pence)	26	**8.11**	3.68

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 2022

	Note	As at 31 December 2022 £'000	2021 £'000
Non-current assets			
Goodwill	8	**7,274**	7,274
Intangibles	9	**277**	2,260
Property, plant, and equipment	10	**1,432**	1,385
Right-of-use assets	11	**5,659**	3,073
Deferred tax assets	17	**429**	500
Total non-current assets		**15,071**	14,492
Current assets			
Inventories	12	**18,715**	18,139
Trade and other receivables	13	**11,693**	10,322
Cash and cash equivalents	14	**5,865**	4,072
Derivative financial instruments	23	**8**	545
Total current assets		**36,281**	33,078
Total assets		**51,352**	47,570
Current liabilities			
Trade and other payables	15	**(5,988)**	(6,293)
Borrowings and lease liabilities	16	**(1,015)**	(610)
Corporation tax liability		**(943)**	(1,050)
Derivative financial instruments	23	**(600)**	–
Provisions		**–**	(370)
Total current liabilities		**(8,546)**	(8,323)
Non-current liabilities			
Borrowings and lease liabilities	16	**(4,847)**	(2,537)
Deferred tax liabilities	17	**(180)**	(557)
Total non-current liabilities		**(5,027)**	(3,094)
Total liabilities		**(13,573)**	(11,417)
NET ASSETS		**37,779**	36,153

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

Consolidated Statement of Financial Position
As at 31 December 2022

	Note	2022 £'000	2021 £'000
Equities			
Share capital	19	**19,188**	19,188
Share premium		**19,360**	19,360
Merger reserve		**(16,100)**	(16,100)
Foreign exchange reserve		**(50)**	85
Share option reserves	20	**2,003**	1,810
Retained earnings		**13,378**	11,810
TOTAL EQUITY		**37,779**	36,153

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

Date: 25 April 2023

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 2022

	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 2021	19,187	19,359	(16,100)	89	1,633	13,202	37,370
Comprehensive income/(loss) for the year							
Equity shares issued	1	1	–	–	–	–	2
On translation of foreign subsidiary	–	–	–	(4)	–	–	(4)
Profit for the year	–	–	–	–	–	2,830	2,830
Total comprehensive income for the year	**1**	**1**	**–**	**(4)**	**–**	**2,830**	**2,828**
Transactions with owners							
Share based payment charge	–	–	–	–	177	–	177
Dividends paid	–	–	–	–	–	(4,222)	(4,222)
Total transactions with owners	**–**	**–**	**–**	**–**	**177**	**(4,222)**	**(4,045)**
As at 31 December 2021	**19,188**	**19,360**	**(16,100)**	**85**	**1,810**	**11,810**	**36,153**
Comprehensive Income/(loss) 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**

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2022

	Note	Year ended 31 December 2022 £'000	2021 £'000
Operating activities			
Profit before tax		**7,690**	3,725
Finance expense	5	**278**	90
Amortisation of intangible assets	9	**1,995**	2,394
Depreciation of property, plant, and equipment	10	**761**	649
Depreciation on right of use assets	11	**965**	690
Loss on disposal of property, plant, and equipment		**1**	–
Share based payments	21	**193**	177
Increase in trade and other receivables		**(1,370)**	(1,135)
Increase in inventories	12	**(576)**	(3,726)
(Decrease)/increase in trade and other payables		**(981)**	3,541
Fair value loss/(gain) on derivative financial instruments		**1,139**	(905)
Other non-cash adjustments	17	**–**	(84)
Foreign exchange translation differences		**(117)**	(4)
Cash generated from operations		**9,978**	5,412
Tax paid		**(1,546)**	(325)
Net cash flows from operating activities		**8,432**	5,087
Investing activities			
Purchase of intangible assets	9	**(12)**	(3)
Purchase of property, plant, and equipment	10	**(831)**	(596)
Net cash used in investing activities		**(843)**	(599)
Financing activities			
Repayment of borrowings	16	**–**	(48)
Lease payments	16	**(836)**	(933)
Proceeds from issued share capital		**–**	2
Interest paid	5	**(278)**	(90)
Dividends	18	**(4,682)**	(4,222)
Net cash used in financing activities		**(5,796)**	(5,291)
Net increase/(decrease) in cash and cash equivalents		**1,793**	(803)
Cash and cash equivalents at beginning of period		**4,072**	4,875
Cash and cash equivalents at end of period	14	**5,865**	4,072
Cash and cash equivalents consist of:			
Cash and cash equivalents	14	**5,865**	4,072
		5,865	4,072

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

Notes to the Consolidated Financial Statements

as at ended 31 December 2022

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 2022 were authorised for issue by the board of directors on 25th April 2023.

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 £6.1 million in the year to 31 December 2022 (2021: £2.8 million) and had net current assets of £27.7 million at 31 December 2022 (2021: £24.8 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, the facility renews each year at the end of September. Retra also have a £3.5 million bank facility that can be used for stock finance, which is used if needed during the peak gift buying season, the facility renews each year at the end of November. In addition, the Group have a £3.0 million general purpose bank facility in its Warpaint Cosmetics (2014) Limited ("Warpaint Cosmetics") subsidiary which was agreed in January 2023. 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 2023 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 31 March 2023 the company had cash of £8.6 million, no debt and had used £nil of its bank facilities.

The Directors have prepared forecasts covering the period to December 2024, built from the detailed Board-approved budget for 2023. 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 and leaving the European Union, 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 2024, 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 with the benefit of experience. The scenarios modelled were all based on varying levels of sales revenue, including one that assumes no growth for 2023 and 2024 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 6.5 million points yet to be redeemed, leading to a provision of £32,471 (2021: 2.8 million points leading to a provision of £14,000).

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 the current period relate to restructuring costs and legal and professional 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 2022

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 2022

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 2022

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 the same discount rate that applied on lease commencement. 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 2022

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 declared by the directors. 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 31 December 2022

IFRS 3	Amendments updating a reference to the conceptual framework
IFRS 9	Amendments resulting from the annual improvements to IFRS Standards 2018-2020 (fees in the '10 percent' test for derecognition of financial liabilities)
IAS 16	Amendments prohibiting a Company from deducting the cost of property, plant and equipment amounts received from selling items while the Company is preparing the asset for its intended use.
IAS 37	Amendments regarding the costs to include when assessing whether contracts are onerous

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2022

1. Significant accounting policies (continued)

New standards, interpretations and amendments effective from 1 January 2023

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 4	Amendments regarding the expiry date of the deferral approach	1st January 2023
IFRS 17	Insurance contracts	1st January 2023
IFRS 17	Amendments regarding comparative information for initial application of IFRS 17 and IFRS 9	1st January 2023
IAS 1	Amendments regarding disclosure of accounting policies	1st January 2023
IAS 1	Amendments regarding the classification of covenants	
IAS 8	Amendments regarding the definition of accounting estimates	1st January 2023
IAS 12	Amendments resulting from deferred tax assets and liabilities arising from a simple transaction	1st January 2023
IFRS 16	Amendments to clarify seller-lessee subsequently measured sale and leaseback transactions	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 £18.7 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 £303,327. 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 £163,653.

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 1% increase in the discount rate from 13.3% to 14.3% would reduce the value in use by approximately £5.1 million leaving headroom of £44 million above the carrying value. For Marvin Leeds Marketing Services, Inc., a 1% increase in the discount rate from 10.4% to 11.4% would reduce the value in use by approximately £0.8 million leaving headroom of £4.6 million above the carrying value. For Treasured Scents Limited, a 1% increase in the discount rate from 13.3% to 14.3% would reduce the value in use by approximately £0.6 million leaving headroom of £6.2 million above the carrying value. None of these scenarios would therefore result in any impairment of the goodwill.

Critical accounting judgements

a) 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 2022

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	2022 Own Brand £'000	2022 Close-out £'000	2022 Total £'000	2021 Own Brand £'000	2021 Close-out £'000	2021 Total £'000
Revenue	60,288	3,770	64,058	45,525	4,478	50,003
Cost of sales	(38,327)	(2,397)	(40,724)	(30,131)	(2,964)	(33,095)
Gross profit	21,961	1,373	23,334	15,394	1,514	16,908
Administrative expenses	(14,319)	(896)	(15,215)	(11,389)	(1,120)	(12,509)
Exceptional items	(143)	(9)	(152)	(586)	–	(586)
Segment result	7,499	468	7,967	3,419	394	3,813
Reconciliation of segment result to profit before tax:						
Segment result	7,499	468	7,967	3,419	394	3,813
Finance expense	(277)	–	(277)	(88)	–	(88)
Profit before tax	7, 222	468	7,690	3,331	394	3,725
Analysis of total revenue by geographical market:						
UK	24,277	3,287	27,564	21,358	3,965	25,323
Europe - Other	6,942	13	6,955	5,627	41	5,668
Europe - Spain	8,005	194	8,199	5,484	138	5,622
Europe - Denmark	12,822	98	12,920	6,741	8	6,749
Rest of World - USA	5,163	178	5,341	2,650	326	2,976
Rest of World - Australia and New Zealand	1,565	–	1,565	2,567	–	2,567
Rest of World - Other	1,514	–	1,514	1,098	–	1,098
Total	60,288	3,770	64,058	45,525	4,478	50,003

During the year ended 31 December 2022, revenues of approximately £11.2 million (2021: £5.1 million) were derived from a single external customer based in Denmark (17.5%; 2021: 10.2%).

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	2022 UK £'000	2022 USA £'000	2022 Total £'000	2021 UK £'000	2021 USA £'000	2021 Total £'000
Goodwill	6,720	554	7,274	6,720	554	7,274
Customer lists	–	160	160	1,072	374	1,446
Brand	–	3	3	683	–	683
Patents	105	–	105	127	–	127
Website	9	–	9	4	–	4
Property, plant and equipment	1,427	5	1,432	1,379	6	1,385
Right of use assets	5,624	35	5,659	2,995	78	3,073
	13,885	757	14,642	12,980	1,012	13,992

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2022

3. Operating profit

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

	Year ended 31 December	
	2022	2021
	£'000	£'000
Foreign exchange gain	**(133)**	(614)
Depreciation	**761**	648
Amortisation of right-of-use assets	**965**	690
Amortisation of intangible assets	**1,995**	2,394
Movement of inventories at net realisable value	**(151)**	(5)
Exceptional costs	**152**	586

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

Exceptional costs

	Year ended 31 December	
	2022	2021
	£'000	£'000
Non-recurring legal and professional fees	**–**	187
Royalty claim and associated legal fees	**152**	370
Restructuring costs	**–**	29
	152	586

During the year 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	
	2022	2021
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Group's annual accounts	**91**	64
Fees payable to the Company's auditor for the audit of subsidiary companies	**106**	101
	197	165

Other services pursuant to legislation:		
Tax advice	**15**	28
Other assurance	**3**	2
Total non-audit fees	**18**	30

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Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2022

4. Staff costs

	Year ended 31 December	
	2022	2021
	£'000	£'000
Wages and salaries	**6,103**	5,232
Social security costs	**738**	553
Pension costs (note 24)	**101**	88
	6,942	5,873

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

	Year ended 31 December	
	2022	2021
	No.	No.
Directors	**7**	7
Administrative	**24**	27
Finance	**9**	8
Warehouse	**58**	48
Sales	**13**	11
New Product Development and PR	**14**	12
	125	113

	2022	2021
	£'000	£'000
Directors' remuneration, included in staff costs		
Salaries	**985**	858
Share based payments (note 21)	**125**	117
Benefits	**23**	20
Pension contributions	**2**	4
	1,135	999

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2022

4. Staff costs (continued)

Remuneration in respect of Directors was as follows:

	Salary/fees and bonus £'000	Share based payment £'000	Benefits £'000	Pension contribution £'000	Total Remuneration 2022 £'000	2021 £'000
Executive Directors						
S Bazini	260	27	13	–	**300**	281
E Macleod	260	27	10	–	**297**	279
N Rodol	212	50	–	1	**263**	223
S Craig	63	1	–	1	**65**	63
P Hagon*	40	20	–	–	**60**	40
Non-executive Directors						
C Garston	66	–	–	–	**66**	60
K Sadler	44	–	–	–	**44**	40
J Collier**	40	–	–	–	**40**	13
	985	**125**	**23**	**2**	**1,135**	**999**

* 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 2022

As at 31 December 2022, 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 Financial Statements.

	Type of Share Award	Date of Grant	Number of Shares at 31 December 2022	Exercise Price	End of Performance Period/First Exercise Date	Number of Shares at 31 December 2021 (or date of appointment if later)
S Bazini	LTIP	21.09.2018	**1,534,986**	254.5p	31.12.2022	1,534,986
E Macleod	LTIP	21.09.2018	**1,534,986**	254.5p	31.12.2022	1,534,986
N Rodol	EMI	29.06.2017	**105,262**	237.5p	29.06.2020	105,262
	LTIP	21.09.2018	**306,996**	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
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
P Hagon	EMI (Non-Qualifying)	01.03.2022	**200,000***	127.5p	01.03.2025	–
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.

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Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2022

5. Net finance cost

	Year ended 31 December 2022 £'000	2021 £'000
Interest received	4	2
Interest paid		
Loan interest	–	(5)
Lease liability interest (note 16)	(185)	(84)
Other interest	(96)	(1)
	(277)	(88)

6. Income tax

	Year ended 31 December 2022 £'000	2021 £'000
Current tax expense		
Current tax on profits for the period	1,746	1,262
	1,746	1,262
Deferred tax expense		
Origination and reversal of temporary differences	(377)	(367)
Total tax expense	1,440	895

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 as follows:

	Year ended 31 December 2022 £'000	2021 £'000
Profit for the period before taxation	7,690	3,725
Expected tax charge based on corporation tax rate of 19% (2021: 19%)	1,461	708
(Income)/expenses not (allowable)/deductible for tax purposes	(11)	74
Other adjustments	(41)	1
Different tax rates applied in overseas jurisdiction	31	30
Adjustment to deferred tax to average rate	–	82
Total tax expense	1,440	895

The UK corporation tax at the standard rate for the year is 19.0% (2021: 19.0%).

The Group's effective tax rate for the year is 18.73% (2021 24.03%).

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2022

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%

* indicates indirect interest

All entities detailed above have been in existence for the whole of the reporting period.

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.

8. Goodwill

	£'000
Cost	
At 1 January 2021	8,086
At 31 December 2021	8,086
At 1 January 2022	8,086
At 31 December 2022	**8,086**
Impairment	
At 1 January 2021	812
Impairment during the year	–
At 31 December 2021	812
At 1 January 2022	812
At 31 December 2022	**812**
Net book value	
At 31 December 2022	**7,274**
At 31 December 2021	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 2022 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.

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. 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 post-tax discount rate of 13.3% (2021: 10.0%) for Retra Holdings Limited and 10.4% (2021: 11.4%) for Marvin Leeds Marketing Services, Inc. and 13.3% for TS2014 (2021: 10%). Cash flows beyond the five-year period are extrapolated using a long-term average growth rate of 2.0% (2021: 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.

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Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2022

8. Goodwill (continued)

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 15%. For Treasured Scents the compound annual growth rate over the next five years is anticipated to be 2.5% in the year ended 31 December 2022. The gross margins for LMS, Retra and Treasured Scents are based on historical rates achieved.

- Administrative expenses are expected to increase by 5% in LMS, 15% in Retra and 5% in Treasured Scents in the year ending 31 December 2023 with 5% incremental increases annually thereafter.

- Discount Rate – pre-tax discount rate of 13.3% for Retra Holdings Limited, 10.4% for Marvin Leeds Marketing Services, Inc. and 13.3% for Treasured Scents reflects the Directors' estimate of an appropriate rate of return, considering the relevant risk factors.

- 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:

- 1.0% 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 2021	3,802	8,240	264	45	6	12,357
Additions	–	–	3	–	–	3
At 31 December 2021	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**
Accumulated amortisation						
At 1 January 2021	2,350	5,198	116	37	5	7,706
Charge for the year	765	1,600	24	4	1	2,394
At 31 December 2021	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**
Net book value						
At 31 December 2022	**3**	**160**	**105**	**9**	**–**	**277**
At 31 December 2021	687	1,442	127	4	–	2,260

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2022

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 2021	252	1,673	344	120	2,389
Reclassification to right-of-use assets					
Additions	15	558	23	–	596
Transfer from right-of-use assets	760	–	–	–	760
At 31 December 2021	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**
Accumulated depreciation					
At 1 January 2021	100	785	251	104	1,240
Charge for year	189	410	39	11	649
Transfer from right-of-use assets	471	–	–	–	471
At 31 December 2021	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**
Net book value					
At 31 December 2022	**350**	**907**	**145**	**30**	**1,432**
At 31 December 2021	267	1,036	77	5	1,385

Transferred from right of use assets category represents the return of ROU assets at expiry of the lease and where title is transferred to the Group.

11. Right-of-use assets

	Leasehold property £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Costs				
At 1 January 2021	4,796	760	77	5,633
Additions	253	–	–	253
Transfer to property, plant and equipment	–	(760)	–	(760)
At 31 December 2021	5,049	–	77	5,126
Additions	3,551	–	–	3,551
Transfer to property, plant and equipment	–	–	–	–
At 31 December 2022	**8,600**	**–**	**77**	**8,677**
Accumulated amortisation				
At 1 January 2021	1,286	471	77	1,834
Charge for the year	690	–	–	690
Transfer to property, plant and equipment	–	(471)	–	(471)
At 31 December 2021	1,976	–	77	2,053
Charge for the year	965	–	–	965
Transfer to property, plant and equipment	–	–	–	–
At 31 December 2022	**2,941**	**–**	**77**	**3,018**
Net Book Value				
At 31 December 2022	**5,659**	**–**	**–**	**5,659**
At 31 December 2021	3,073	–	–	3,073

Transferred from right of use assets category represents the return of ROU assets at expiry of the lease and where title is transferred to the Group.

The weighted average incremental borrowing rate applied to measure lease liabilities is 3.99% (2021: 3.73%) for leasehold property.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2022

12. Inventories

	As at 31 December	
	2022	2021
	£'000	£'000
Finished goods	**19,080**	18,655
Provision for impairment	**(365)**	(516)
	18,715	18,139

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £35.09 million in the year ended 31 December 2022 (2021: £28.56 million).

13. Trade and other receivables

	As at 31 December	
	2022	2021
	£'000	£'000
Trade receivables – gross	**9,935**	8,755
Provision for impairment of trade receivables	**(70)**	(66)
Trade receivables – net	**9,865**	8,689
Other receivables	**213**	92
Prepayments and accrued income	**1,615**	1,541
Total	**11,693**	10,322

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	
	2022	2021
	£'000	£'000
Accumulated impairment losses at 1 January	**66**	44
Additional impairment losses recognised during the year, net	**4**	66
Amounts written off during the year as uncollectible	**–**	(44)
Accumulated impairment losses at 31 December	**70**	66

The impairment losses recognised during the year are net of a credit of £9,000 (2021: Nil) relating to the recovery of amounts previously written off as uncollectable.

Contract Liabilities

	As at 31 December	
	2022	2021
	£'000	£'000
At 1 January	**219**	292
Amounts included in contract liabilities that was recognised as revenue during the period	**525**	530
Amounts settled during the period	**(501)**	(603)
At 31 December	**243**	219

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 2022

14. Cash and cash equivalents

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

	As at 31 December	
	2022	2021
	£'000	£'000
Cash at bank and in hand	**5,865**	4,072
	5,865	4,072

15. Trade and other payables

	As at 31 December	
	2022	2021
	£'000	£'000
Current		
Trade payables	**1,368**	1,847
Social security and other taxes	**1,294**	293
Other payables	**101**	66
Accruals and deferred income	**3,225**	4,087
Total	**5,988**	6,293

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. Loans and borrowings

	As at 31 December	
	2022	2021
	£'000	£'000
Bank loans		
Repayable within 1 year	**–**	–
Repayable within 2 – 5 years	**–**	–
	–	–
Lease liabilities		
Repayable within 1 year	**1,015**	610
Repayable within 2 – 5 years	**3,498**	2,261
Repayable in more than 5 years	**1,349**	276
	5,862	3,147
Total		
Repayable within 1 year	**1,015**	610
Repayable within 2 – 5 years	**3,498**	2,261
Repayable in more than 5 years	**1,349**	276
	5,862	3,147

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2022

16. Loans and borrowings (continued)

Undiscounted lease payments

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Lease liabilities		
Repayable within 1 year	**1,200**	684
Repayable within 2 – 5 years	**4,027**	2,390
Repayable in more than 5 years	**1,465**	281
Total	**6,692**	3,355

Lease liabilities

	As at 31 December			
	Leasehold property £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
At 1 January 2021	3,659	252	–	3,911
Lease additions	253	–	–	253
Interest expense	84	–	–	84
Lease payments	(765)	(252)	–	(1,017)
Prior period adjustment	(84)	–	–	(84)
As at 31 December 2021	3,147	–	–	3,147
Lease additions	3,551	–	–	3,551
Interest expense	185	–	–	185
Lease payments	(1,021)	–	–	(1,021)
As at 31 December 2022	**5,862**	**–**	**–**	**5,862**

Nature of lease liabilities

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

An additional £Nil (2021: £1,061) has been expensed to the statement of comprehensive income in respect of low value operating leases. Interest payments of £Nil (2021: £Nil) have also been expensed in respect of leases that expired during the period.

The interest rates expected are as follows:

	As at 31 December 2022 %	As at 31 December 2021 %
Finance loans	**–**	7.0
Bank loans	**–**	8.75
Invoice financing	**5.49**[1]	3.25

Note 1: Base rate + 1.99%

Secured loans

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.

Bank borrowings include stock and invoice financing facilities amounting to £Nil (2021: £Nil). The carrying value of assets pledged as collateral approximates to £10,259,284 (2021: £8,205,000).

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2022

17. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rate of 19% - 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	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Opening balance	**(557)**	(1,000)	**500**	581
Foreign exchange adjustment	**–**	–	**(71)**	–
Recognised in profit and loss:				
Tax expense	**377**	443	**–**	(81)
Closing balance	**(180)**	(557)	**429**	500

The deferred tax liability has arisen due to the timing difference on accelerated capital allowances amounting to £65,000 (2021: £65,000) and on the intangible assets acquired in a business combination amounting to £115,000 (2021: £492,000).

Deferred tax asset has arisen from loss carry forward for LMS amounting to £1,716,000 (2021: £1,995,000) and recognised at a rate of 25%.

18. Dividends

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

Year to December 2021	**Paid**	**Amount per share**	**Total £'000**
Final dividend – 2020	05 July 21	3.0p	2,303
Interim dividend – 2021	11 Nov 21	2.5p	1,919
			4,222

The group has proposed a final dividend for the year ended 31 December 2022 of 4.5p per share.

19. Called up share capital

	No. of shares	
	£'000	£'000
Allotted and issued		
Ordinary shares of £0.25 each:		
At 1 January 2021	76,749	19,187
Issued at 12 May 2021	3	1
At 31 December 2021	**76,752**	**19,188**
At 31 December 2022	**76,752**	**19,188**

All ordinary shares carry equal rights.

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Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2022

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) 2022	**Number of options 2022**	Weighted average exercise price (pence) 2021	Number of options 2021
Outstanding at the beginning of the year	**226.00**	**4,860,830**	233.50	4,528,962
Granted during the year	**127.95**	**220,000**	122.00	400,000
Expired during the year	**55.40**	**(26,842)**	115.00	(68,132)
Other adjustments	**80.09**	**15,526**		
Outstanding at the end of the year	**222.20**	**5,069,514**	226.00	4,860,830

The weighted average remaining contractual life of the options is 1.34 years (2021: 2.64 years).

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	255,051
24 September 2018	254.50	5	3,837,462
20 May 2020	49.50	3	454,686
25 May 2021	122.0	3	400,000
01 March 2022	**127.50**	**3**	**200,000**
17 October 2022	**132.50**	**3**	**20,000**

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

	17 Oct 22	**01 Mar 22**	25 May 21	20 May 20	24 Sept 18	29 June 17
Expected volatility	**48%**	**54%**	78%	76%	78%	64%
Expected life (years)	**3**	**3**	3	3	2-4	3
Risk-free interest rate	**2.77%**	**0.99%**	0.15%	0.01%	1.61%	0.38%
Expected dividend yield	**3.24%**	**4.94%**	1.76%	2.08%	1.53%	2%
Fair value per option (£)	**0.383**	**0.354**	0.552	0.213	0.422	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.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2022

21. Share based payments (continued)

On 24 September 2018, share options with an exercise price of 254.50p, equal to the closing mid-market value immediately prior to the date of grant, and subject to the achievement of demanding Earnings Per Share ("EPS") and Total Shareholder Return ("TSR") performance conditions measured over a period of up to 5 years were granted to certain directors.

The share options are exercisable up to 10 years from the date of grant. Vesting is subject to the performance conditions set out below:

- 50% of the award is subject to an adjusted EPS growth performance condition. One third of this portion of the award will be tested and vest after three, four and five years. Vesting is based on adjusted EPS in the years ending Dec 2020, 2021 and 2022. Threshold vesting of 20% of the award is achieved at 12.5% compound annual EPS growth and full vesting at 22.5% compound annual EPS growth, measured from 31 December 2017.

- 50% of the award is subject to an absolute TSR performance condition tested following the announcement of results for the years ending 31 December 2020, 2021 and 2022. Threshold vesting of 20% of the award is achieved at 8% compound annual TSR and straight line vesting up to 100% vesting at 18% compound annual TSR, measured from 31 December 2017.

An additional grant of 460,494 share options with the same terms was made on the same date to three senior management individuals of the Company.

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 17 October 2022, the Company granted in aggregate 20,000 ordinary shares of 132.5 pence each under a Company Share Option Plan (CSOP) scheme. 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 £192,986 (2021: £177,000).

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.

During 2022, Warpaint Cosmetics (2014) Limited paid rent in the sum of £138,000 (2021: £120,000) 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 (2021: £30,000).

During 2022, Warpaint Cosmetics (2014) Limited paid rent in the sum of £138,000 (2021: £120,000) 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 (2021: £30,000).

During 2022, Warpaint Cosmetics (2014) Limited paid rent in the sum of £138,000 (2021: £120,000) 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 £34,500 (2021: £30,000).

During 2022, Retra Holdings Limited paid rent in the sum of £404,265 (2021: £340,000) to Warpaint Cosmetics Limited, of which E Macleod and S Bazini are directors.

Paul Hagon, an executive director of Warpaint London plc ("Warpaint"), is a member of Ward & Hagon. Ward & Hagon were paid £177,437 fees (2021: £200,000), £169,172 commission (2021: £20,010) and expenses of £7,404 in 2022 (2021: £7,941) and were issued with 200,000 share options, details of which are disclosed in note 21.

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2022

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 £51,926,000 as at 31 December 2022 (2021: £50,358,000) as shown in the statement of changes in equity.

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

	Year ended 31 December	
	2022	2021
	£'000	£'000
Financial assets		
Financial assets at amortised cost:		
Trade and other receivables	**10,078**	8,781
Financial assets measured at fair value through the profit and loss:		
Cash and cash equivalents	**5,865**	4,072
Derivative financial instruments	**8**	545
	15,951	13,398
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	**(1,469)**	(1,913)
Loan and borrowings	**(5,862)**	(3,147)
Financial liabilities measured at fair value through the profit and loss:		
Derivative financial instruments	**(600)**	–
	(7,931)	(5,060)
Net	**8,020**	8,338

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.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2022

23. Financial instruments (continued)

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 £12,000 (2021: £18,000) with an increase in profits by the same amount for a decrease in the rate of interest by 100 basis points.

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 2022, the Group has trade receivables of £9,865,000 (2021: £8,689,000).

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	
	2022	2021
	£'000	£'000
Current	**5,502**	4,811
1 – 30 days	**2,680**	2,006
31 – 60 days	**1,164**	1,516
61 – 90 days	**375**	183
91 + days	**214**	239
Provision for impairment of trade receivables	**(70)**	(66)
Total trade receivables – net	**9,865**	8,689

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 31 December 2022 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 2022			As at 31 December 2021		
	£'000	**%**	**£'000**	£'000	%	£'000
Current	**5,432**	**0.135**	**8**	4,811	0.135	6
1 – 30 days	**2,680**	**0.405**	**11**	2,006	0.405	8
31 – 60 days	**1,164**	**1.215**	**14**	1,516	1.215	18
61 – 90 days	**375**	**3.645**	**14**	183	3.645	8
91 + days	**214**	**10.935**	**23**	239	10.935	26
			70			66

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2022

23. Financial instruments (continued)

Credit quality of financial assets

	As at 31 December	
	2022	2021
Trade receivables, gross (note 13):	£'000	£'000
Receivable from large companies (see below for definition)	5,115	2,600
Receivable from small or medium-sized companies	386	2,211
Total neither past due nor impaired	5,501	4,811

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 (2021: £100,000).

	As at 31 December	
	2022	2021
Past due but not impaired:	£'000	£'000
Less than 30 days overdue	2,680	2,006
30 – 90 days overdue	1,684	1,872
Total past due but not impaired	4,364	3,878
Lifetime expected loss provision:		
Less than 30 days overdue	–	–
30 – 90 days overdue	70	66
Total lifetime expected loss provision (gross)	70	66
Less: Impairment provision	(70)	(66)
Total trade receivables, net of provision for impairment	9,865	8,689

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

	As at 31 December	
	2022	2021
	£'000	£'000
AAA rated	–	6
AA rated	–	1,723
A rated	5,862	–
BAA rated	3	2,343
Total cash and cash equivalents	5,865	4,072

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 2022

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 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	1,395	–	–	–	1,395
Accruals	3,225	–	–	–	3,225
Loans and borrowings	508	507	3,498	1,349	5,862
	6,496	**507**	**3,498**	**1,349**	**11,850**

Year ended 31 December 2021	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	1,079	–	–	–	1,079
Other payables	1,137	–	–	–	1,137
Accruals	4,077	–	–	–	4,077
Loans and borrowings	302	308	2,261	276	3,147
	6,595	**308**	**2,261**	**276**	**9,440**

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 2022, there were total sums of £1,828,145 (2021: £939,000) 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 2022, the net foreign liability was £0.6m (2021: £0.7m). 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 £18,222 increase in reported profits and equity, while a 5% strengthening of sterling would result in £16,487 decrease in profits and equity.

Marvin Leeds Marketing Services, Inc.

		As at 31 December 2022 USD $'000	2022 GBP £'000
Profit After Tax		416,845	346,217
5% weakening of US dollar		416,845	364,439
	Increase profits		18,222
5% strengthening of US dollar		416,845	329,730
	Decrease profits		(16,487)

Foreign exchange risk

	2022 £'000	2021 £'000
Derivatives carried at fair value:		
Exchange (loss)/gain on forward foreign currency contracts	(592)	545

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

Financial Statements

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2022

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 2022, the group has in total 34 (2021: 40) forward foreign exchange contracts outstanding, made up of regular forward foreign exchange contracts, and more 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.

Regular forward foreign exchange contracts:

At 31 December 2022, there were 30 (2021: 40) 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.

a) Contracted exchange rate	2022 £/$	2021 £/$	2022 £/€	2021 £/€
3 months or less	**1.2707**	1.3730	**n/a**	n/a
3 to 6 months	**1.1447**	1.3866	**1.1485**	1.1645
6 to 12 months	**1.1407**	1.3813	**1.1414**	1.1491
12 months or more	**n/a**	n/a	**1.1192**	n/a

b) Contract value	2022 £/$ £'000	2021 £/$ £'000	2022 £/€ £'000	2021 £/€ £'000
3 months or less	**1,448**	728	**0**	0
3 to 6 months	**699**	13,159	**849**	1,072
6 to 12 months	**438**	5,447	**1,095**	2,259
12 months or more	**–**	–	**1,385**	–
	2,585	19,334	**3,329**	3,331

c) Foreign currency	2022 $'000	2021 $'000	2022 € '000	2021 € '000
3 months or less	**1,840**	1,000	**0**	0
3 to 6 months	**800**	18,250	**975**	1,250
6 to 12 months	**500**	7,535	**1,250**	2,600
12 months or more	**0**	0	**1,550**	0
	3,140	26,785	**3,775**	3,850

Window Barrier Accrual forward foreign exchange contracts:

At 31 December 2022, there were 3 Window Barrier Accrual forward foreign exchange contracts to buy US dollars (2021: nil).

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 2022

23. Financial instruments (continued)

The following table details the Window Barrier Accrual forward foreign exchange contracts outstanding as at the balance sheet date.

Window Barrier Accrual	Forward Rate	Barrier dates (12 in total)	Expiration dates (12 in total)	Knock Out Rate	Notional Amount	Double the Notional Amount
Contract 1	$1.1950	16 Dec 2022 through to 16 Nov 2023	17 Jan 2023 through to 15 Dec 2023	$1.0590	$500,000	$1,000,000
Contract 2	$1.2020	15 Dec 2022 through to 14 Nov 2023	13 Jan 2023 through to 13 Dec 2023	$1.0590	$75,000	$150,000
Contract 3	$1.2000	15 Dec 2022 through to 14 Nov 2023	13 Jan 2023 through to 13 Dec 2023	$1.0590	$425,000	$850,000
Maximum total per month					**$1,000,000**	**$2,000,000**

As at 31 March 2023 the Group have purchased $6,000,000 at an average rate of $1.1976 using the Window Barrier Accrual forward foreign exchange contracts.

Counter TARN forward foreign exchange contracts:

At 31 December 2022, there was 1 Counter TARN forward foreign exchange contract to buy US dollars (2021: nil).

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.

The following table details the Counter TARN forward foreign exchange contract outstanding as at the balance sheet date.

Counter TARN	Forward Rate	Expiration dates (12 in total)	Target	Notional Amount	Double the Notional Amount
Contract 1	$1.2000	12 Jan 2023 through to 13 Dec 2023	5	$500,000	$1,000,000
Maximum total per month				**$500,000**	**$1,000,000**

As at 31 March 2023 the Group have purchased $3,000,000 at a rate of $1.2000 using the Counter TARN forward foreign exchange contract.

Management has applied a Monte Carlo model approach when calculating the fair value of the Window Barrier Accrual and Counter TARN foreign exchange hedging instruments at the year end. This involved making assumptions and judgements around the future likely value of the US dollar compared to the Forward Rate of the exchange contracts, using statistical trials based around historic data of the US dollar exchange rate versus pound sterling. The Monte Carlo model predicted that the Window Barrier Accrual forward foreign exchange contracts would in total allow the Group to purchase $18 million, out of a possible maximum $24 million, and the Counter TARN forward foreign exchange contract would in total allow the Group to purchase $7.4 million, out of a possible maximum $12 million.

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.

Notes to the Consolidated Financial Statements (continued)
as at ended 31 December 2022

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 £101,003 (2021: £88,339).

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.

The weighted average number of shares for the current year includes the shares issued as consideration for the acquisition of Retra Holdings Limited on 30 November 2017.

	2022	2021
Basic earnings per share (pence)	**8.14**	3.69
Diluted earnings per share (pence)	**8.11**	3.68

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

Earnings	2022 £'000	2021 £'000
Earnings for the purpose of basic earnings per share, being the net profit	**6,250**	2,830

Number of shares	2022	2021
Weighted number of ordinary shares for the purpose of basic earnings per share	**76,752,355**	76,751,187
Potentially dilutive shares awarded	**296,256**	62,699
Weighted number of ordinary shares for the purpose of diluted earnings per share	**77,048,611**	76,813,886

4,063,881 share options (2021: 4,542,988) 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 385,633 share options granted on 20 May 2020, additional 400,000 share options granted 24 May 2021, 200,000 share options granted 01 March 2022 and 20,000 share options granted 17 October 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.

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 2021	3,045	914	3,959
Non-cash flows	–	169	169
Cash flows	–	(981)	(981)
Reclassification from Non-current loans and borrowings to current loans and borrowings	(508)	508	–
At 31 December 2021	**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**

Company Statement of Financial Position
for the year ended 31 December 2022

Company number: 10261717

	Note	2022 £'000	2021 (as restated – refer notes 4,5) £'000
Fixed assets			
Investments	3	**34,493**	34,493
		34,493	34,493
Current assets			
Trade and other receivables	4	**16,734**	17,244
Cash and cash equivalents		**139**	3
Total current assets		**16,873**	17,247
Current liabilities			
Trade and other payables	5	**(450)**	(2,322)
Derivative financial instruments	11	**(400)**	–
Total current liabilities		**(850)**	(2,322)
Total liabilities		**(850)**	(2,322)
NET ASSETS		**50,516**	49,418
Capital and reserves			
Share capital	6	**19,188**	19,188
Share premium	7	**19,360**	19,360
Merger reserve	8	**1,895**	1,895
Share option reserve		**2,003**	1,810
Retained earnings		**8,070**	7,165
Shareholders' funds		**50,516**	49,418

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 £5,585,667 (2021: £2,767,000).

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: 25 April 2023

The notes on pages 87 to 91 form part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 December 2022

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Share Option Reserve £'000	Retained Earnings £'000	Total Equity £'000
As at 31 December 2020	**19,187**	**19,359**	**1,895**	**1,633**	**8,620**	**50,694**
Equity shares issued	1	1	–	–	–	2
Share based payment charge	–	–	–	177	–	177
Profit for the year	–	–	–	–	2,767	2,767
Dividends paid	–	–	–	–	(4,222)	(4,222)
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**

The notes on pages 87 to 91 form part of these financial statements.

Notes to the Company Financial Statements
for the year ended 31 December 2022

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.

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.

Dividends

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

2. Staff costs

	Year ended 31 December	
	2022	2021
	£'000	£'000
Salaries	**985**	858
Share based payments	**125**	117
Benefits	**23**	20
Pension costs	**2**	4
	1,135	999

Financial Statements

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2022

2. Staff costs (continued)

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

	Year ended 31 December	
	2022	2021
	No.	No.
Directors	**7**	7
	7	7

	2022	2021
Directors' remuneration, included in staff costs	**£'000**	£'000
Salaries	**985**	858
Share based payments	**125**	117
	1,110	975

The directors are the only key management personnel.

3. Investments

	At 31 December 2020
	£'000
Cost	
At January 2022	**35,833**
At December 2022	**35,833**
Impairment	
At January 2022	1,340
Impairment charge	–
At December 2022	1,340
Net book value	
At 31 December 2022	**34,493**
At 31 December 2021	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 of the consolidated financial statements. 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 post-tax discount rate of 13.3% (2021: 10.8%) for Retra Holdings Limited and 10.4% (2021: 11.4%) for Marvin Leeds Marketing Services, Inc. Cash flows beyond the five-year period are extrapolated using a long-term average growth rate of 2.0% (2021: 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

	2022	2021 (as restated)
	£'000	£'000
Due from group undertakings	**16,647**	17,137
Prepayments and accrued income	**87**	107
	16,734	17,244

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.

In the prior period £2,215k owed by the company to another group undertaking was presented net of amounts due from group undertakings. The prior year balance has been adjusted to reclassify this amount to Creditors due within one year (refer note 5). An equivalent adjustment was made to the opening balance sheet as at 1 January 2021 to reclassify £2,217k related to the same balance to Creditors due within one year. There was no impact on the income statement of net equity in either period.

5. Creditors due within one year

	2022	2021 (as restated)
	£'000	£'000
Trade payables	**–**	8
Other taxation and social security	**17**	70
Due from group undertakings	**390**	2,215
Accruals and deferred income	**43**	29
	450	2,322

In the prior period £2,215k owed by the company to another group undertaking was presented net of amounts due from group undertakings. The prior year balance has been adjusted to reclassify this amount from Debtors (refer note 4). An equivalent adjustment was made to the opening balance sheet as at 1 January 2021 to reclassify £2,217k related to the same balance from Debtors. There was no impact on the income statement of net equity in either period.

6. Called up share capital

	No of shares	
	£'000	**£'000**
Allotted and issued		
Ordinary shares of £0.25 each		
At 1 January 2021	76,749	19,187
Issued at 12 May 2021	3	1
At 31 December 2021	76,752	19,188
At 31 December 2022	**76,752**	**19,188**

All ordinary shares carry equal rights.

7. Share premium

	2022	2021
	£'000	£'000
Share premium	**19,360**	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 2022

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

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

	Weighted average exercise price (pence) 2022	**Number of options 2022**	Weighted average exercise price (pence) 2021	Number of options 2021
Outstanding at the beginning of the year	226.00	4,860,830	233.03	4,528,962
Granted during the year	127.95	220,000	122.00	400,000
Expired during the year	55.40	(26,842)	115.00	(68,132)
Other adjustments	80.09	15,526		
Outstanding at the end of the year	**222.20**	**5,069,514**	226.00	4,860,830

The weighted average remaining contractual life of the options is 1.34 years (2021: 2.64 years).

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	255,051
24 September 2018	254.50	5	3,837,462
20 May 2020	49.50	7	454,686
25 May 2021	122.0	3	400,000
01 March 2022	127.50	3	200,000
17 October 2022	132.50	3	20,000

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

	17 Oct 22	**01 Mar 22**	**25 May 21**	**20 May 20**	**24 Sept 18**	**29 June 17**
Expected volatility	48%	54%	78%	76%	78%	64%
Expected life (years)	3	3	3	3	2-4	3
Risk-free interest rate	2.77%	0.99%	0.15%	0.01%	1.61%	0.38%
Expected dividend yield	3.24%	4.94%	1.76%	2.08%	1.53%	2%
Fair value per option (£)	0.383	0.354	0.552	0.213	0.422	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, 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 24 September 2018, share options with an exercise price of 254.50p, equal to the closing mid-market value immediately prior to the date of grant, and subject to the achievement of demanding Earnings Per Share ("EPS") and Total Shareholder Return ("TSR") performance conditions measured over a period of up to 5 years were granted to certain directors.

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2022

10. Share based payments (continued)

The share options are exercisable up to 10 years from the date of grant. Vesting is subject to the performance conditions set out below:

- 50% of the award is subject to an adjusted EPS growth performance condition. One third of this portion of the award will be tested and vest after three, four and five years. Vesting is based on adjusted EPS in the years ending Dec 2020, 2021 and 2022. Threshold vesting of 20% of the award is achieved at 12.5% compound annual EPS growth and full vesting at 22.5% compound annual EPS growth, measured from 31 December 2017.

- 50% of the award is subject to an absolute TSR performance condition tested following the announcement of results for the years ending 31 December 2020, 2021 and 2022. Threshold vesting of 20% of the award is achieved at 8% compound annual TSR and straight line vesting up to 100% vesting at 18% compound annual TSR, measured from 31 December 2017.

An additional grant of 460,494 share options with the same terms was made on the same date to three senior management individuals of the Company.

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 below.

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 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 17 October 2022, the Company granted in aggregate 20,000 ordinary shares of 132.5 pence each under a Company Share Option Plan (CSOP) scheme. 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 £192,986 (2021: £177,000).

11. Financial Instruments

Foreign exchange risk

	2022 £'000	2021 £'000
Derivatives carried at fair value:		
Exchange loss on forward foreign currency contracts	(400)	nil

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 2022, Warpaint London PLC had in total 2 (2021: nil) forward foreign exchange contracts outstanding, made up of 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 2022, there was 1 Window Barrier Accrual forward foreign exchange contracts to buy US dollars (2021: nil).

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 Company Financial Statements (continued)

for the year ended 31 December 2022

11. Financial Instruments (continued)

The following table details the Window Barrier Accrual forward foreign exchange contract outstanding as at the balance sheet date.

Window Barrier Accrual	Forward Rate	Barrier dates (12 in total)	Expiration dates (12 in total)	Knock Out Rate	Notional Amount	Double the Notional Amount
Contract 1	$1.1950	16 Dec 2022 through to 16 Nov 2023	17 Jan 2023 through to 15 Dec 2023	$1.0590	$500,000	$1,000,000

As at 31 March 2023 the Company has purchased $3,000,000 at the rate of $1.1950 using the Window Barrier Accrual forward foreign exchange contract.

Counter TARN forward foreign exchange contracts:

At 31 December 2022, there was 1 Counter TARN forward foreign exchange contract to buy US dollars (2021: nil).

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.

The following table details the Counter TARN forward foreign exchange contract outstanding as at the balance sheet date.

Counter TARN	Forward Rate	Expiration dates (12 in total)	Target	Notional Amount	Double the Notional Amount
Contract 1	$1.2000	12 Jan 2023 through to 13 Dec 2023	5	$500,000	$1,000,000
Maximum total per month				**$500,000**	**$1,000,000**

As at 31 March 2023 the Company has purchased $3,000,000 at a rate of $1.2000 using the Counter TARN forward foreign exchange contract.

Management has applied a Monte Carlo model approach when calculating the fair value of the Window Barrier Accrual and Counter TARN foreign exchange hedging instruments at the year end. This involved making assumptions and judgements around the future likely value of the US dollar compared to the Forward Rate of the exchange contracts, using statistical trials based around historic data of the US dollar exchange rate versus pound sterling. The Monte Carlo model predicted that the Window Barrier Accrual forward foreign exchange contracts would in total allow the Group to purchase $9 million, out of a possible maximum $12 million, and the Counter TARN forward foreign exchange contract would in total allow the Group to purchase $7.4 million, out of a possible maximum $12 million.

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
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 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	
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