



WARPAINT LONDON PLC



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Mission Statement

“Our mission is to ensure that everybody should have access to an extensive range of high quality cosmetics at an affordable price.”

We strive to fulfil our mission by:

- Minimising unnecessary, costly marketing and advertising expenditure
- Creating innovative, eye catching and desirable packaging
- Creating cosmetic products of high quality
- Always striving to improve and better our brand and product offering
- Being at the cutting edge of trend

Our values

- We use the finest quality ingredients available
- 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?

- W7 gives its customers the ability and flexibility to style themselves based on who they want to be
- W7 engages its customers by interacting with them directly using a variety of media platforms
- W7 enables its customers by making product available through direct and third party sales
- W7 empowers its customers by seeking their feedback, interaction and views



Headline Results

Headline proforma financial results for the year to 31 December 2016

Warpaint London PLC ("Warpaint", the "Company" or the "Group") is made up of two trading divisions; the first and largest is the own-brand division which sells the Group's leading cosmetic brand W7; the second and smaller division trades in close-out and excess stock of branded cosmetics and fragrances from around the world.

On 11 November 2016, prior to admission of the Company's shares to trading on AIM, a new group structure was formed. This annual report has been prepared in accordance with acquisition accounting standards, which deem that the larger business acquired the smaller business on that date. In order to present to shareholders a more consistent view of the trading of the Group we have prepared proforma consolidated statements of comprehensive income for the years ended 31 December 2015 and 31 December 2016, with a reconciliation between the proforma and the statutory consolidated statement of comprehensive income.

Headline results, shown below, represent the performance comparisons between the proforma consolidated statements of income for the years ended 31 December 2015 and 31 December 2016.

The proforma numbers have been adjusted to take account of restructuring changes and other non-recurring items, specifically the inclusion of the trade of the close-out division for the years ended 31 December 2015 and 31 December 2016. Reconciliations between the proforma consolidated income statements and the statutory consolidated income statements for the 12 months to 31 December 2016, and the 12 months to 31 December 2015 are included in the Financial Review.

The proforma consolidated statement of comprehensive income for the years ended 31 December 2015 and 31 December 2016, includes the trade of the larger own-brand division plus the trade of the smaller close-out division for the whole of each year. The statutory consolidated statement of comprehensive income for the years ended 31 December 2015 and 31 December 2016, include the trade of the larger own-brand division for the whole of each year, plus the trade of the smaller close-out division from the acquisition date of 11 November 2016 only.

In 2016, £1.7 million of expenses (2015: £0.06 million) have been treated as exceptional as they were one off payments related to the admission of the Group's shares to trading on AIM in November 2016.

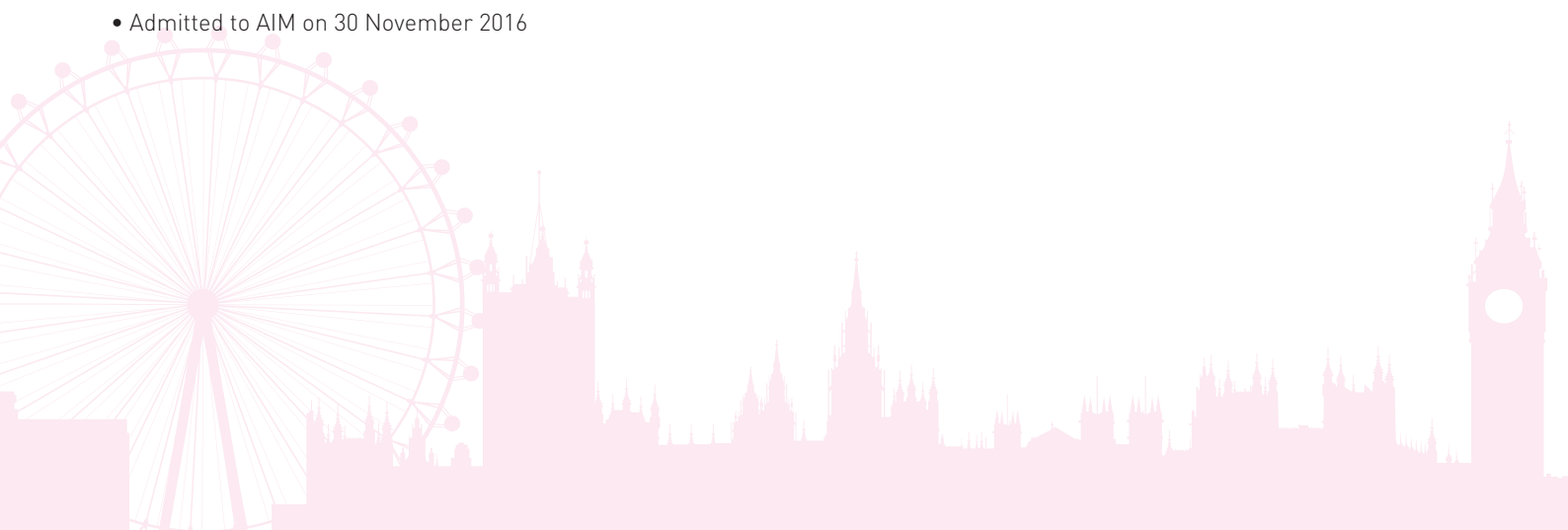


	Unaudited Proforma results			Statutory results		
	Year ended 31 Dec 2016	Year ended 31 Dec 2015	Growth %	Year ended 31 Dec 2016	Year ended 31 Dec 2015	Growth %
Revenue	£27.0m	£22.3m	21.1	£22.5m	£16.9m	33.1
Adjusted profit from operations	£6.8m*	£5.5m*	23.6	£6.2m*	£5.6m*	10.7
Adjusted profit from operations margin	25.2%*	24.7%*		27.6%*	33.1%*	
Adjusted PBT	£6.7m*	£5.4m*	24.1	£6.1m*	£5.5m*	10.9
Adjusted EPS	8.6p*	6.9p*	24.6	7.9p*	7.1p*	11.3
Net cash	£3.5m	£1.1m		£3.5m	£1.1m	

*Adjusted for the £1.7 million of one off IPO costs incurred in the year (2015: £0.06 million)

Highlights

- Proforma revenue increased by 21.1% to £27 million (2015: £22.3 million)
- Proforma operating margin over 25%
- Proforma adjusted earnings per share increased by 24.6% to 8.6p (2015: 6.9p)
- Net cash at the year end of £3.5 million (31 December 2015: £1.1 million)
- Encouraging start to e-commerce strategy
- Brand awareness reaching global levels
- Admitted to AIM on 30 November 2016





Clive Garston

Chairman's Statement

Results

This is the first reported annual results since our admission to AIM in November 2016. I am delighted with the way in which the Group has reorganised itself as a public company and also with the strong 2016 performance. Although the majority of these results reflect a period prior to the IPO it is pleasing to note the high rate of growth that was achieved and in particular, that the uncertainty caused by the UK referendum result on membership of the EU quickly disappeared and the Group was able to take appropriate measures to mitigate the effects of the fall in value of Sterling.

The proforma numbers will be quoted throughout the annual report in order to give shareholders clarity in understanding the results for the year.

Profit before tax was £4.4 million (proforma £5.0 million) on a turnover of £22.5m (proforma £27.0 million) with basic earnings per share of 5.07p (proforma 5.84p). Earnings per share adjusted to exclude IPO costs were 7.87p (proforma 8.64p). Net cash at 31 December 2016 of £3.5 million underpins the balance sheet and leaves the Group in a strong position going forward.

Dividend

As was stated at the time of the IPO, our intention is to adopt a progressive dividend policy to allow shareholders to share in the Group's growth in earnings and cash flow. The board is pleased to recommend a final dividend of 1.5p per share which, if approved by shareholders, will be paid on 21 July 2017 to shareholders on the register at close of business on 7 July 2017. The shares will go ex-dividend on 6 July 2017.

Board and People

I joined the board as non-executive chairman ahead of the IPO together with Paul Hagon and Keith Sadler who were appointed as non-executive directors and respectively chairman of the remuneration and audit committee. The remaining members of the board are Sam Bazini and Eoin Macleod the joint chief executives and Neil Rodol the chief financial officer. I regard it as a privilege to work alongside my fellow board members and particularly the joint chief executives who founded the business and are responsible for its success today.

In addition to the board, Warpaint has a wonderful pool of people with real skills and who contribute enormously to its success. A key strength of the Company is the commitment of its employees, many of whom have been with the Group for some time. The culture of

the Group has been responsible for this and the board recognises the importance of ensuring that the Group's culture is appropriate for the business as it grows. Warpaint is a progressive, energetic and dynamic company which is driven by its executive team and all its employees. I would like to thank all of them for their contribution to the Group's success.

AGM

Our first annual general meeting will be held on 26 June 2017 at 10.00am at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London, EC4A 1BN and I look forward to meeting all shareholders who are able to attend.

Outlook

Warpaint has made an encouraging start to its new life as a quoted company and has demonstrated its ability to prosper in the public arena and build shareholder value. I am delighted with the levels of interest that has been experienced from the market in our first months of trading. I believe that the Group's prospects are encouraging and that the outlook for the Group remains positive. I look forward very much to working with my colleagues on the board and all the Warpaint team to continue to deliver growth for shareholders.

Clive Garston

Chairman
9 May 2017





Sam Bazini

Eoin Macleod

Joint Chief Executives' Statement

We are delighted to present the Group's first annual results to shareholders following our Admission to AIM in November 2016. 2016 was a transformational year for the business, seeing strong progress in both domestic and international markets. We remain committed to the Group's strategy of producing an extensive range of high quality cosmetics at an affordable price to customers.

Business Overview

Warpaint consists of two separate divisions, own-brand and close-out, with the own-brand business being the primary strategic focus of the Group and currently representing over 80% of the Group's revenue.

The W7 brand predominantly sells to high street retailers and independent beauty shops, although the online sales channel, that was established during the year, is a growing contributor. Sales to overseas customers are through a combination of direct sales to businesses or to distributors in those countries.

W7 products are manufactured by carefully selected companies in Europe and China that also supply other leading global cosmetic brands.

We believe the key to the success of W7 is spotting trends in cosmetic colourways or new products and then quickly launching them onto the market at a value price point. The W7 range now

contains over 500 items and includes a broad collection of colour cosmetics, gift sets and accessories.

Close-out, representing less than 20% of the Group's business, buys and sells close-out and excess stock of branded cosmetics and fragrances from around the world, which it sells to high street outlets, wholesalers and the discount mass market retailers, mainly in the UK. Whilst not a strategic focus, the close-out side of the business provides a useful source of knowledge of the colour cosmetics market and access to new market trends.

Our e-commerce platform that was established in May 2016 for the W7 brand has become increasingly important in terms of sales. We believe this growth is supported by the colour cosmetics industry, benefiting from a more engaged and educated customer base, driven by the success of beauty blogs, celebrity endorsement and social media. We have had a number of well received recent campaigns with a number of high profile television celebrities that have translated into increased online ordering and brand awareness.

Strategy

Our overriding goal is to provide our customers with access to an extensive range of high quality cosmetics at an affordable price. To achieve this, we are building an internationally recognised

brand in W7 which will help augment our future growth.

In May 2016 an export manager was employed with the responsibility of opening up new territories overseas and this has already led to a number of new accounts.

As outlined at the time of the admission to AIM, we are looking to make our offering more widely available to an international audience, particularly in China and the US, with a focus on social media and e-commerce activities. To accomplish this, we are soon to launch new US and China focused e-commerce sites, with the ability to transact in local currencies.

A priority for us throughout 2016 was to ensure that our internal infrastructure was of a very high quality, able to cope with increased business and the demands of being a public company. From our sound foundations, we can look forward to supporting future growth, new customers and markets and developing new products to stay on trend. With selective investment, and new hires where appropriate, we believe there is plenty of latent capacity available within our distribution network.

Recently we have employed brand managers to develop our brand portfolio as part of the Warpaint team.

Joint Chief Executives' Statement (continued)

Brands

Our key focus remains developing our flagship brand, W7, an extremely creative, design-focused cosmetic brand proposition, delivering high quality cosmetics at affordable prices. We outsource manufacturing overseas to ensure competitive pricing and rapid production.

The W7 range is characterised by eye-catching designs, bold packaging

and creative product names. Our on-trend range of products benefits from a short lead time due to the Group's operational structure. Our third-party supply network enables us to offer a fast turnaround and competitive prices to our customers, whilst also ensuring high quality. We can deliver "fast-track" launches of products in a three to six-month time frame, which we believe is much quicker than most other competitors in the colour cosmetics market.

An exciting development in 2017 has been the creation of a new range called Very Vegan. These products have been developed specifically for vegans and others supporting an animal friendly lifestyle. We believe that this range has great potential for growth. The range includes nine different product lines, encompassing 30 individual products and is scheduled to be on sale by June 2017.

Our other brands include:

Outdoor Girl	This brand has now been developed and sales have been encouraging.
CopyCat	Currently being developed as a premium product range, to target large health and beauty retailers.
Smooch	To be developed as a prestige brand at a higher recommended retail price, aimed at department stores.
Taxi	To satisfy bespoke ad-hoc orders from the value sector.

Products

Warpaint is focused on colour cosmetics, which it separates into four main categories:

- Face make-up: foundation, blushers, illuminators, face bronzing lotions, creams and powders and loose and pressed powders;
- Eye make-up: eye shadows, eyeliners, eyebrow pencils and mascara;
- Lip make-up: lipstick and glosses, lip pencils, lip plumpers and palettes; and
- Nail make-up: nail varnishes and polishes, hardeners and strengtheners, base and top coat.

As previously stated, new product additions for 2017 include Very Vegan.

We have extended our range of cosmetic bags having sold out of stock prior to Christmas 2016. We currently have 25 new designs on order and will be bringing them to market soon.



W7's largest selling product categories are eye products, face make-up and lip products, which together represented approximately 80% of the own-brand division's revenue in 2016.

The 12 months to 31 December 2016 product sales split for our W7 brand is shown across:



Customers & Geographies

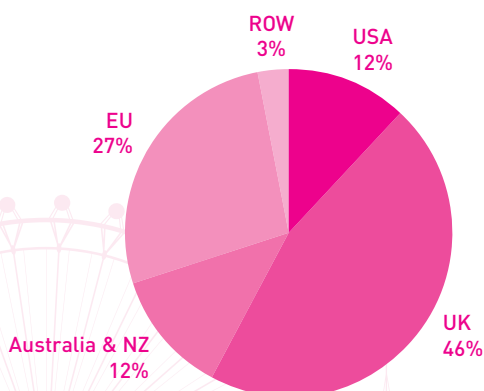
We are very pleased to be able to report that the customer base for the Group grew from 270 customers at the end of 2015 to 319 at the end of 2016.

The majority of our largest clients are export customers from the US, Australia and Europe. At the end of 2016 our top ten W7 customers represented 56.3% of revenues, compared to 50.0% in 2015. Our W7 US distributor has expanded from 3.1% of W7 revenue in 2015 to 12.3% of W7 revenue in 2016.

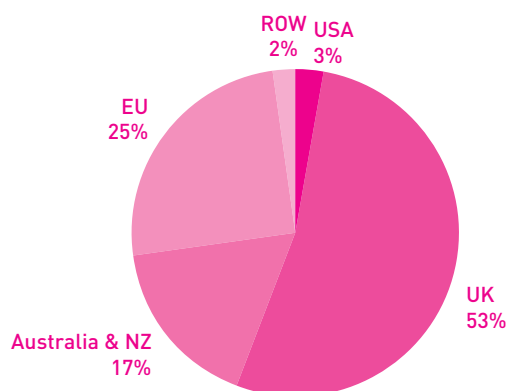
In 2016, the W7 own-brand business had over 280 customers (2015: 230 customers) in more than 50 countries (2015: 40 countries).

The 12 months to 31 December 2016 and 31 December 2015 regional sales split for our W7 brand is shown below:

W7 – 2016 Regional Sales Split



W7 – 2015 Regional Sales Split



Joint Chief Executives' Statement (continued)

Colour Cosmetics Market

The colour cosmetics market comprises face make-up, eye make-up, lip products, nail products and colour cosmetics sets/kits and is typically made up of two categories; prestige and mass. Prestige products are considered to be premium and therefore generally command higher prices; such products are generally available through high-end department stores. Mass products are more affordable and widely available, generally occupying additional routes to market such as supermarkets, pharmacies and convenience stores. The accessible price points of the mass market see consumers buying these brands more frequently. Currently W7 operates in the mass market.

The global mass market for colour cosmetics is expected to be the fastest growing cosmetics market category and in mature markets such as Western Europe and the US, consumers are increasingly favouring low cost make-up. The US is the largest colour cosmetics market globally, with a retail value in 2015 of around \$11 billion; this is nearly three times the second largest market of China, at approximately \$4 billion. New product innovation, in particular, has been influential in the growth of the colour cosmetics market.

The global beauty market (mass and prestige) continues to grow with the mass market consistently achieving a higher annual growth rate than the prestige market. It has also demonstrated resiliency through economic cycles, often referred to as "the lipstick effect", and it is expected that it will continue to show solid growth, making it a consistent

consumer category. The industry remains relatively concentrated, with retail sales dominated by brands owned by large multinational companies.

The UK was the fourth largest retail colour cosmetics market in the world in 2015 and is forecast to grow from an estimated £1.8 billion this year, to around £2.4 billion in 2021.

In addition, the cosmetics industry is undergoing change. Today's consumers are increasingly connected and influenced by friends, beauty bloggers, social media and other online content. The rise of beauty bloggers has been a benefit for the sector, encouraging women to experiment with new looks and trends, driving the uptake of a wider range of products.

Admission to AIM

The admission to AIM has been a very positive experience for the Company in a number of ways. We have seen our profile grow and we have also strengthened our relationships with suppliers, distribution partners and customers. We look forward to our continued growth on AIM and welcome our new shareholders.

The funding received at Admission has allowed Warpaint to invest further in key staff to develop our brand portfolio and to continue to build the key W7 brand internationally.

In addition, being a quoted company will enable us to incentivise staff through a planned new share option scheme.

Outlook

Warpaint enjoyed many years of successful growth prior to joining AIM and we are confident that with increasing awareness of our brands we remain well placed to continue this expansion. The Company remains at the forefront of developing on trend products for its ever discerning range of customers. Overseas business will continue to be a major driver as we aim to gain a larger share of the global colour cosmetics market.

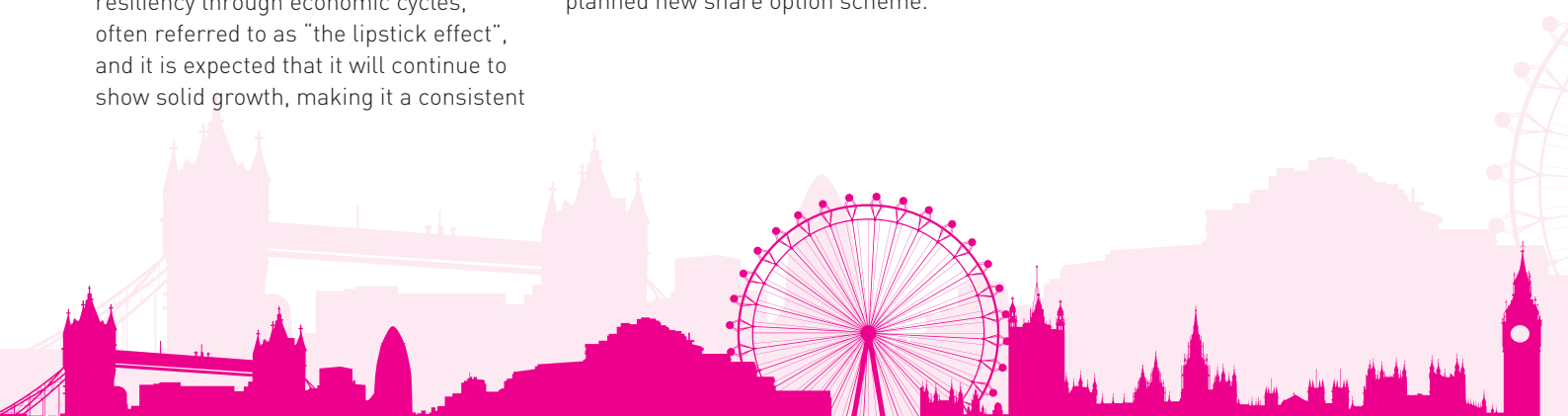
With a flexible supplier base and a tight control of working capital the business remains inherently cash generative.

We would like to take this opportunity to thank our employees for their commitment and hard work during what has been a year of significant transition. We would also like to thank our advisors involved in the IPO process in what was a challenging year in the financial markets. Working with a board of non-executive directors whose skill sets complement our entrepreneurial drive and ambition for the W7 brand and our other brands has been fantastic.

The current year has started well and we look forward to updating shareholders on our progress.

Sam Bazini & Eoin Macleod

Joint Chief Executive Officers
9 May 2017





Neil Rodol

Financial Review

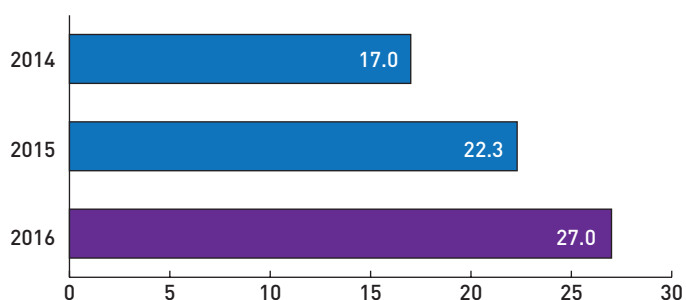
2016 saw significant progress for the Group, both structurally and financially, with improvement in our KPI's during a busy year for the business.

In order to aid shareholders' understanding of the underlying performance of the business we have focused our comments on the proforma consolidated statement of income for the 12 months to 31 December 2016 compared with the proforma consolidated statement of income for the 12 months to 31 December 2015.

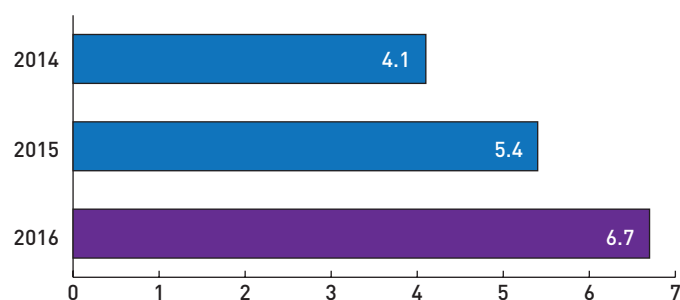
Headline results represent the performance comparisons between the proforma consolidated statements of income for the years ended 31 December 2015 and 31 December 2016. The proforma numbers have been adjusted to take account of restructuring changes and other non-recurring items, specifically the inclusion of the trade of the close-out division for the years ended 31 December 2015 and 31 December 2016. Reconciliations between the proforma consolidated income statements and the statutory consolidated income statements for the 12 months to 31 December 2016, and the 12 months to 31 December 2015 are shown below.

KPIs

Unaudited proforma revenue (£m)
2016: £27.0 million + 21%



Unaudited proforma adjusted profit before tax* (£m)
2016: £6.7 million +24%



*Adjusted for the £1.7 million of one off IPO costs incurred in the year.

Financial Review (continued)

Proforma Headline Consolidated Income Statement

	2016 Unaudited Proforma Statement £'000	2015 Unaudited Proforma Statement £'000
Revenue	26,968	22,280
Cost of sales	(16,745)	(14,148)
Gross profit	10,223	8,132
Administrative expenses	(5,205)	(2,685)
Profit from operations	5,018	5,447
Analysed as:		
Profit from operations before exceptional items	6,757	5,508
Exceptional items	(1,739)	(61)
Finance expense	(16)	(82)
Profit before tax	5,002	5,365
Tax expense	(1,384)	(1,196)
Profit for the year	3,618	4,169

Reconciliation between the statutory consolidated income statement and the proforma consolidated income statement for the 12 months to 31 December 2016

	2016 Statutory Accounts £'000	Close-out business pre-acquisition 11 November 2016 £'000	Amortisation of Intangible assets on acquisition of close-out business £'000	2016 Unaudited Proforma Statement £'000
Revenue	22,483	4,485	–	26,968
Cost of sales	(13,692)	(3,053)	–	(16,745)
Gross profit	8,791	1,432	–	10,223
Administrative expenses	(4,374)	(787)	(44)	(5,205)
Profit/(loss) from operations	4,417	645	(44)	5,018
Analysed as:				
Profit/(loss) from operations before exceptional items	6,156	645	(44)	6,757
Exceptional items	(1,739)	–	–	(1,739)
Finance expense	(16)	–	–	(16)
Profit/(loss) before tax	4,401	645	(44)	5,002
Tax expense	(1,260)	(124)	–	(1,384)
Profit/(loss) for the year	3,141	521	(44)	3,618
Weighted number of ordinary shares	61,981,720			61,981,720
Earnings per share	5.07p			5.84p
Profit for the year	3,141			3,618
Add back exceptional items	1,739			1,739
Adjusted profit for the year	4,880			5,357
Weighted number of ordinary shares	61,981,720			61,981,720
Adjusted earnings per share	7.87p			8.64p

Financial Review (continued)

Reconciliation between the statutory consolidated income statement and the proforma consolidated income statement for the 12 months to 31 December 2015

	2015 Statutory Accounts £'000	2015 Close-out business £'000	2015 Unaudited Proforma Statement £'000
Revenue	16,938	5,342	22,280
Cost of sales	(10,229)	(3,919)	(14,148)
Gross profit	6,709	1,423	8,132
Administrative expenses	(1,117)	(1,568)	(2,685)
Profit/(loss) from operations	5,592	(145)	5,447
Analysed as:			
Profit/(loss) from operations before exceptional items	5,592	(84)	5,508
Exceptional items	–	(61)	(61)
Finance expense	(84)	2	(82)
Profit/(loss) before tax	5,508	(143)	5,365
Tax expense	(1,123)	(73)	(1,196)
Profit/(loss) for the year	4,385	(216)	4,169
Weighted number of ordinary shares	61,722,383		61,722,383
Earnings per share	7.11p		6.75p
Profit for the year	4,385		4,169
Add back exceptional items	–		61
Adjusted profit for the year	4,385		4,230
Weighted number of ordinary shares	61,722,383		61,722,383
Adjusted earnings per share	7.11p		6.85p

Revenue

Total proforma revenue grew by 21.1% from £22.3 million in 2015 to £27.0 million in 2016. Warpaint has been able to focus on sales growth in the year whilst also preparing the Group for our IPO. Revenue continues to be driven by increased export sales into the US and Europe, and by increased awareness of the W7 brand globally. As we look to 2017 it is pleasing that growth continues. A detailed commentary on our sales growth strategy and trading performance is included in the CEO's report.

Total statutory revenue grew by 33.1% from £16.9 million in 2015 to £22.5 million in 2016.

Profit Before Tax and Exceptional Items

Group proforma Profit Before Tax ("PBT") was £5.0 million (2015: £5.4 million), a decrease of 7.4% on the prior year. Underlying PBT (profit before tax and exceptional items) was £6.7m (2015: £5.4 million), an increase of 24.1% on the prior year. In the 12-month period to 31 December 2016, £1.7 million of expenses have been treated as exceptional as they related to the admission of the Group's shares to trading on AIM in November 2016.

Group statutory Profit Before Tax ("PBT") was £4.4 million (2015: £5.5 million), a decrease of 20.0% on the prior year. Underlying PBT (profit before tax and exceptional items) was £6.1m (2015: £5.5 million), an increase of 10.9% on the prior year.

Product Gross Margin

Proforma gross margin improved by 3.9% over 2015 to 37.9%. The cost impact of Brexit has been mitigated with a ratcheted discount mechanism from

our key supplier in China, also by growing US revenue significantly in 2016 and from enjoying margin growth as the W7 brand gains global awareness. Further contributing to Group margin is the close-out business which has delivered gross margin of 25.4% (See Close-out business income statement: Appendix A) compared to 24.9% in 2015. We remain focused on improving gross margin in both our own-brand and close-out businesses.

Statutory gross margin decreased by 1.3% over 2015 to 39.1%.

Operating Expenses

Underlying proforma operating expenses (before exceptional items) grew 32.1% year on year, however expressed as a percentage of proforma turnover underlying operating expenses (before exceptional items) increased to 12.9% in 2016 from 11.8% in 2015. Costs grew in the main because of these factors:

- The joint CEOs of the business were paid a salary for the first time in 2016
- Cost of the PLC board in readiness for admission to AIM from November 2016
- Commercial arms length rent charged for the first time in 2016
- Increased staffing levels ahead of the IPO in the financial and order processing departments
- Increase in audit fees

Statutory operating expenses before exceptional items grew 135.9% year on year, however expressed as a percentage of statutory turnover, operating expenses before exceptional items increased to 11.7% in 2016 from 6.6% in 2015.

Statutory operating costs grew in the main because of the factors discussed above and additional operating costs

that were reallocated from the close-out division to the own-brand division as the Group was restructured in 2016.

Most operating expenses are relatively fixed, however we continue to monitor and examine significant costs to ensure they are controlled.

Exceptional Items

In 2016, £1.7 million of expenses (2015: £0.06 million) have been treated as exceptional as they were one off legal and professional fees and commissions incurred in relation to the admission of the Group's shares to trading on AIM in November 2016.

Tax

The proforma tax rate for the Group for 2016 was 27.7% compared to the UK corporation tax standard rate of 20% for the year. Some of the costs of the admission to AIM have been disallowed for tax purposes, which has increased the effective tax rate. We would expect the tax rate on adjusted profits to be approximately 19.25% in 2017 and falling in line with the UK Government measures to reduce corporation tax to 17% by 2020.

The statutory tax rate for the Group for 2016 was 28.6% compared to the UK corporation tax standard rate of 20% for the year.

Earnings Per Share

The underlying proforma basic earnings per share before exceptional costs was 8.6p in 2016, an increase of 24.6% on the 6.9p achieved in 2015, as a result of improved sales and gross margin.

The statutory basic earnings per share before exceptional costs was 7.9p in 2016, an increase of 11.3% on the 7.1p achieved in 2015.

Financial Review (continued)

Dividends

The board is recommending a final dividend for 2016 of 1.5 pence per share, making a total dividend of 6.1 pence per share of which 4.6 pence per share was paid in 2016 prior to the IPO (2015: 3.2 pence per share).

Cash flow and cash position

Net cash flow generated from operating activities was £3.0 million (2015: £2.3 million), after payment of the £1.7 million exceptional items previously referred to. Management are continually monitoring trade receivables and stock levels to avoid working capital lock up as the business continues to grow.

The Group's net cash balance increased by £2.4 million to £3.5 million in 2016 (2015: £1.1 million). The cash generated was principally used to make dividend payments prior to the IPO. Capital expenditure requirements of the Group remain modest and we expect it to continue to be so. £0.16 million was

spent in the year on new office space for additional staff, an upgrade to our computer systems and the purchase of a promotional double decker bus for the W7 brand.

Balance Sheet

The Group's balance sheet remains in a very healthy position with no debt. Net assets totalled £14.3 million at 31 December 2016, with the majority made up of liquid assets of stock, trade receivables and cash. Included in the balance sheet is £0.5 million of goodwill and £1.3 million of intangible fixed assets arising from the acquisition accounting adopted to reflect the purchase of the close-out business by the much larger own-brand colour cosmetics business in November 2016, in preparation of the Group joining AIM.

On 11 November 2016 a new group structure was formed. On the 21 November 2016, the Company disposed of £1.4m of land and buildings

pursuant to a capital reduction to which 16,340,000 B ordinary shares of £0.052 each held by Sam Bazini and Eoin Macleod were cancelled in consideration for the transfer of the entire issued share capital of Warpaint Cosmetics Limited to a company owned and controlled by Sam Bazini and Eoin Macleod. This was part of a Group reconstruction prior to admission to AIM on the 30 November 2016.

Admission to AIM

Warpaint's business is already benefiting from being a quoted company on AIM. The profile of the Group and its key brand W7 has been enhanced with the increased public awareness. We have received investment to accelerate growth and now have the ability when and if needed, to easily access capital for further expansion or for acquisition capital should a compelling opportunity arise.

Neil Rodol

Chief Financial Officer
9 May 2017



Risk Management

Warpaint London 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

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.

Following the result of the EU Referendum on 23 June 2016, the Directors negotiated a ratcheted discount mechanism with their main supplier to reflect the £:\$ exchange rate, and they have increased average selling prices for the Group's products from January 2017. In addition, the Group purchases US\$ at favourable rates when available; however, residual currency risk remains which might have a material adverse

effect on the Group's financial position, results of operations and future prospects.

Reliance on key suppliers

In 2016 one key supplier from China was responsible for approximately 50% (2015: 60%) of the Group's W7 brand range 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.

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 item independently checked by a qualified chemist for compliance with EU

legislation and maintain adequate product and public liability insurance so as to ensure that any claims have little impact on the Group's profitability.

Significant customers

The Group has one customer in Australia with over 300 stores who has an exclusive distribution agreement for the W7 brand of colour cosmetics in Australia. In 2016 this customer represented 10.7% (2015: 15.4%) of own-brand/W7 revenues. In addition, the Group's US distributor represented 12.3% of own brand W7 revenue in 2016 (2015: 3.1%). Significant goodwill in the W7 brand has been built up by these customers and the Directors believe that should either of these customers decide to end their distribution agreement, a large amount if not all of the existing business will be taken up by other retailers, local wholesalers or other distributors.

Location

The Group, its operations, and most of its assets are at one location in Iwer; if a fire were to befall the premises occupied by the Group, most of its 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.



Members of the Board



From left to right: Eoin Macleod, Sam Bazini, Neil Rodol, Clive Garston



Board of Directors



Sam Bazini, Joint Chief Executive Officer

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 fragrance. 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.



Eoin Macleod, Joint Chief Executive Officer

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 fragrance 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.



Neil Rodol, Chief Financial Officer

Neil joined the Group in August 2015, having previously been an advisor to the business for several years. He has overseen the introduction of new systems and procedures. Over the last 17 years he has been 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.



Clive Garston, Non-Executive Chairman

Clive has been a corporate lawyer for over 40 years specialising in corporate finance and mergers and acquisitions, and he is currently a consultant at DAC Beachcroft LLP. He has 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 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) and chairman of its corporate finance forum. Clive has been closely connected with the Quoted Company Alliance and is one of the authors of its corporate governance guidelines.



Paul Hagon, Non-executive Director

Paul is Group Strategy and Development Director at Palmer & Harvey McLane Ltd ("P&H"), the UK's number one delivered wholesaler, with an annual turnover of more than £4 billion, and the UK's 6th largest privately owned company. He is responsible for setting out the Operational Strategy and Three Year Plan for the P&H business alongside identifying new service solutions/market opportunities for retailers and suppliers. He is a board member of the Association of Convenient Stores (ACS).



Keith Sadler, Non-executive Director

Keith is chief financial officer of A Spokesman Said Limited, an online price comparison site. He is also a non-executive director of TLA Worldwide plc, a global sports management and events business, for which he chairs the audit committee. He was, until December 2014, chief financial officer of Dods Group PLC, a political communications business, and formerly chief operations officer and group finance director of WEARE 2020 plc. Prior to this he was chief executive and group finance director of SPG Media Group plc, a marketing services business, group finance director of The Wireless Group and two quoted regional newspaper publishers; News Communication and Media plc and Bristol United Press plc. Before this he was treasurer of Mirror Group Newspapers plc. Keith is a chartered accountant and holds an honours degree in economics from the University of Kent.

Corporate Governance Report

The Directors recognise the importance of sound corporate governance and confirm that the Company complies, so far as practicable and to the extent appropriate for a company of its nature and size, with the recommendations in the QCA Guidelines, which have become a widely recognised benchmark for corporate governance of smaller quoted companies, particularly AIM companies.

Given the size of the Group, the Board currently comprises of three non-executive directors (including the Chairman), Clive Garston, Paul Hagon and Keith Sadler, and three executive directors, Sam Bazini, Eoin Macleod and Neil Rodol. The Board considers this to be appropriate at this relatively early stage of the Company's development, but will reconsider this as the Group grows in size. 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. The non-executive directors have been 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. No single Director is dominant in the decision-making process.

It is intended that the Board will meet at least ten times a year to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. The Board has established the Audit Committee, Remuneration Committee and Insider Committee with formally delegated duties and responsibilities and with written terms of reference. From time to time separate committees may be 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.

The Group has adopted a code for directors' and certain employee share dealings which the Directors believe is appropriate for an AIM quoted company. The Directors will comply with the Market Abuse Regime and Rule 21 of the AIM Rules relating to directors' dealings and in addition will take all reasonable steps to ensure compliance by the Group's applicable employees (as defined in the AIM Rules).

The Board of Directors

The board of directors is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of

capital expenditure and acquisitions, and reporting to the shareholders.

All non-executive directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

Compliance with the Bribery Act

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 recognise and deal with bribery and corruption issues. During the period, there were no incidents for consideration.

Internal financial control and reporting

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 board approves the annual budget and performance against budget is monitored and reported by the Board. 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.



Whistleblowing procedures

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.

Relations with shareholders

The Group reports to shareholders twice a year. The Group dispatches the notice of its Annual General Meeting, together with a description of the items of special business, at least 21 days before the meeting. Each substantially separate issue is the subject of a separate resolution and all shareholders have the opportunity to put questions to the Board at the Annual General Meeting. The chairmen of the Audit and Remuneration Committees normally attend the Annual General Meeting and will answer questions which may be relevant to their responsibilities.

Insider Committee

The Company has an Insider Committee which consists of Clive Garston (as chairman), Samuel Bazini and Neil Rodol. The Insider Committee is responsible, inter alia, for the identification of inside information for the purpose of maintaining the Company's insider lists and for reporting that information as required under Market Abuse Regulation (EU) 596/2014.





Keith Sadler

Audit Committee Report

The audit committee consists of Keith Sadler (as chairman), Clive Garston and Paul Hagon. The audit committee is convened formally at least three times a year and otherwise as required. It has responsibility 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.

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:

- Review the significant issues and judgements of management, and the methodology and assumptions used in relation to the Group's financial statements and formal announcements on the Group's financial performance;

- Review the Group's going concern assumptions;
- Assess the effectiveness of the Group's system of internal controls, including financial reporting and financial controls;
- Consider and make recommendations to the Board on the appointment, reappointment, dismissal or resignation and remuneration of the external auditor; and
- Assess the independence and objectivity of the external auditor and approve and monitor the application of the external auditor business standard.

The full terms of reference for the Committee can be found on the Company's website at www.warpaintlondonplc.com and are also available from the Group company secretary.

The chief financial officer and the external auditor normally attend Committee meetings. The Committee will meet with the external auditor without management present during the year.

External auditor

BDO was appointed by the Board as the Company's external auditor on 18 February 2016 for the 2016 reporting period and it is their intention to put them forward at the AGM to stand as auditors for the next financial period. There are no contractual obligations that restrict the Committee's choice of external auditor.

The Group paid £62,000 to BDO for audit services in 2016, 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 £338,000 to BDO in 2016, for tax advice and services relating to the IPO.

Committee performance and effectiveness

As this is the first reporting period for the Company and Group as a PLC no review of the performance and effectiveness of the Committee took place.

Audit Committee Report

This Audit Committee Report was reviewed and approved by the Board on 9 May 2017.

Keith Sadler

Audit Committee Chair
9 May 2017





Paul Hagon

Remuneration Committee Report

The remuneration committee consists of Paul Hagon (as chairman), Clive Garston and Keith Sadler. The remuneration committee is convened not less than twice a year and otherwise as required. It 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 officers) 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.

Directors Remuneration Report

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 and Directors' interests

	Salary	Pension	Fair Value of Options	Bonus	Total Remuneration 2016 £	Total Remuneration 2015 £
S Bazini	165,000	–	–	–	165,000	–
E Macleod	165,000	–	–	–	165,000	–
N Rodol*	16,667	–	–	150,000	166,667	–
C Garston*	10,000	–	–	–	10,000	–
P Hagon*	5,000	–	–	–	5,000	–
K Sadler*	6,667	–	–	–	6,667	–

*Appointed on 1 November 2016

The Directors, who held office at 31 December 2016, had the following interests in the shares of the Group:

	Number of share options held at 31 December 2016	Ordinary Shares as % of issued share capital	Number of Ordinary Shares held at 31 December 2016
S Bazini	–	31.63	20,413,630
E Macleod	–	31.63	20,413,630
N Rodol	–	0.10	61,856
C Garston	–	0.15	100,000
P Hagon	–	0.03	20,619
K Sadler	–	0.03	20,619

Paul Hagon

Remuneration Committee Chair
9 May 2017

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 2016. The Corporate Governance Statement on pages 20-21 forms part of this report.

Going concern

The company's going concern statement can be found in the Consolidated Financial Statements on page 34.

Results and dividends

Results for the year ended 31 December 2016 are set out in the Consolidated Income Statement on page 29.

Directors

The following Directors have held office since incorporation on 4 July 2016, unless otherwise stated, to the date of authorisation of the accounts:

Non-Executive Chairman

C Garston (appointed 1 November 2016)

Executive Directors

S Bazini

E Macleod

N Rodol (appointed 1 November 2016)

Non-Executive Directors

P Hagon (appointed 1 November 2016)

K Sadler (appointed 1 November 2016)

Future development

For details of future developments refer to the Strategic Report set out on pages 3-17.

Substantial shareholdings

The Group is aware of the following shareholdings of 3% or more in the share capital as at 31 December 2016:

Shareholder	Number of Shares	%
S Bazini	20,413,630	31.63
E Macleod	20,413,630	31.63
Schroder Investment Management Limited	6,268,000	9.71
BlackRock Investment Management Limited	5,799,000	8.99
Hargreave Hale Limited	4,130,480	6.40

Financial instruments

The Group's financial risk management objectives and policies are discussed in note 21 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 Group has purchased and maintains, for all Directors, insurance against any liability and the Group maintains appropriate insurance cover against legal action brought against its Directors.



The Directors are responsible for preparing the Strategic and Directors' Report and the Group financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of its profit or loss for that period. In preparing the Group financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- Prepare the Group financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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. The Company places enormous importance on the contributions of its employees and aims to keep them

informed of developments in the Company through a combination of meetings and electronic communication.

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
9 May 2017



Independent Auditors' Report to the members of Warpaint London PLC

Opinion

We have audited the financial statements of Warpaint London PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated and company statements of financial position, the consolidated cashflow statement 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

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

The following matters were identified by us as the most significant assessed risks of material misstatement:

Accounting for the group reorganisation

As explained in note 1 the Warpaint London PLC group consists of two separate subgroups previously owned by the same shareholders. The combination of these businesses has been accounted for as a group reconstruction with regard the larger business and an acquisition under IFRS 3 for the smaller one, Treasured Scents. See note 8 for further information.

The risk – Accounting for the business combinations involved significant judgement in determining the appropriate accounting treatment for the reconstruction and acquisition and then determining the fair value of both the consideration paid for the Treasured Scents group and the underlying assets and liabilities of that group, including intangible assets such as customer relationships. Judgement was also exercised in determining the appropriate period over which to amortise the intangible asset in relation to customer relationships.

How we addressed the risk – Our audit procedures included assessing the appropriateness of the accounting treatment adopted and challenging the Directors' assessment of the fair value of the assets acquired and liabilities assumed with reference to evidence provided by third party experts engaged by management. We critically evaluated the capabilities, competence and objectivity of the external valuers engaged by the Directors involved in assessing the fair value of intangible assets and the fair value of the consideration paid, as well as evaluating and concluding on the appropriateness of their conclusions.

We used our own valuation specialists to challenge the acquisition accounting including the identification of amounts related to customer relationships and the valuation of the consideration paid. We also challenged the third party experts and management regarding the amortisation period of the intangible asset in relation to customer relationships. In addition, we considered the adequacy of the Group's disclosures in respect of the business combinations.

Carrying value of inventory

See accounting policy in note 1.

The risk – The group holds significant levels of inventory and a number of estimates are involved in valuing slow moving and obsolete inventories, some of which have a limited shelf life. There are inherent uncertainties in consumer preferences and spending patterns, which are primarily driven by wider trends in the fashion and cosmetics industry. There is a recoverability risk associated with new product launches as well as with close out stock purchased at the end of ranges or seasons with judgement required in forecasting demand.

How we addressed the risk – Our procedures included assessing the principles and appropriateness of the Group's inventory provisioning policies based on our understanding of the business and the accuracy of previous provisioning estimates. In assessing inventory provisions our procedures included testing the methodology applied by management in preparing their provision including the identification of slow moving and obsolete items. We considered the inventory write off figure during the year and compared this to the Group's expected recoveries brought forward and to the position at the year end date. Further, we substantively tested the unprovided inventory balance to review sales volumes and values after the balance sheet date. In addition, we assessed the adequacy of the disclosures in respect of amounts recognised as provision against inventory during the period.

Our application of materiality and overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality which, together with qualitative considerations, help us to determine the nature, timing and extent of our audit procedures on the individual financial statement areas and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £515,000 which represents 8.5% of profit before tax before exceptional items relating to the listing. We agreed with the audit committee that we would report to them misstatements identified during our audit above £25,000.

We used profit before tax before listing expenses as a benchmark given the importance of profit as a measure for shareholders in assessing the performance of the Group.

The group consists of two trading subgroups, both of which are run from the UK. In establishing the overall approach to the group audit, we completed full scope audits on the underlying subgroups. The group audit team obtained an understanding of the internal control environment related to the financial reporting process and assessed the appropriateness, completeness and accuracy of group journals and other adjustments performed on consolidation.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement as set out in the Directors' report, 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

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent Auditors' Report (continued)

to the members of Warpaint London PLC

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Mark RA Edwards

(Senior Statutory Auditor)

For and on behalf of BDO LLP,

Statutory Auditor

London

9 May 2017

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 2016

	Note	Year ended 31 December	
		2016 £'000	2015 £'000
Revenue	1,2	22,483	16,938
Cost of sales		(13,692)	(10,229)
Gross profit		8,791	6,709
Administrative expenses	3,5	(4,374)	(1,117)
Profit from operations	3	4,417	5,592
Analysed as:			
Profit from operations before exceptional items		6,156	5,653
Exceptional items	3	(1,739)	(61)
Finance expense	5	(16)	(84)
Profit before tax		4,401	5,508
Tax expense	6	(1,260)	(1,123)
Profit for the year attributable to equity holders of the parent company		3,141	4,385
Other comprehensive income (net of tax)		–	–
Total comprehensive income attributable to equity holders of the parent company		3,141	4,385
Basic and diluted earnings per share (pence)	25	5.07	7.11



Consolidated Statement of Financial Position

as at 31 December 2016

Registered Number: 10261717

		Year ended 31 December	
	Note	2016 £'000	2015 £'000
Non-current assets			
Goodwill	9	513	–
Intangibles	10	1,403	65
Property, plant and equipment	11	237	1,475
Total non-current assets		2,153	1,540
Current assets			
Inventories	12	7,669	5,296
Trade and other receivables	13	5,364	4,170
Derivative financial instruments	21	37	–
Cash and cash equivalents		3,503	1,758
Total current assets		16,573	11,224
Total assets		18,726	12,764
Current liabilities			
Trade and other payables	14	(2,841)	(1,715)
Loans and borrowings	15	–	(201)
Corporation tax liability		(1,329)	(1,420)
Total current liabilities		(4,170)	(3,336)
Non-current liabilities			
Bank loan	15	–	(425)
Deferred tax liability	16	(278)	(12)
Total non-current liabilities		(278)	(437)
Total liabilities		(4,448)	(3,773)
NET ASSETS		14,278	8,991

Consolidated Statement of Financial Position

as at 31 December 2016

Registered Number: 10261717

	Note	2016 £'000	2015 £'000
Equities			
Share capital	18	16,135	15,000
Share premium		1,806	–
Merger reserve		(17,995)	(20,000)
Retained earnings		14,332	13,991
TOTAL EQUITY		14,278	8,991

The financial statements of Warpaint London PLC were approved and authorised for issue by the Board of Directors on 9 May 2017 and were signed on its behalf by:

Neil Rodol
Chief Financial Officer



Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

	Note	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2015		15,000	–	(20,000)	11,559	6,559
Profit for the year		–	–	–	4,385	4,385
Dividends paid	17	–	–	–	(1,953)	(1,953)
As at 31 December 2015		15,000	–	(20,000)	13,991	8,991
Share issue for cash	18	644	1,806	–	–	2,450
Share issue for Treasured Scents	18	1,340	–	2,005	–	3,345
Share capital reduction	18	(849)	–	–	–	(849)
Profit for the year		–	–	–	3,141	3,141
Dividends paid	17	–	–	–	(2,800)	(2,800)
As at 31 December 2016		16,135	1,806	(17,995)	14,332	14,278

Consolidated Statement of Cash Flows

for the year ended 31 December 2016

	Note	Year ended 31 December	
		2016 £'000	2015 £'000
Operating activities			
Profit before tax		4,401	5,508
Interest paid	5	16	84
Amortisation of intangible assets	10	57	4
Depreciation of property, plant and equipment	11	58	51
Loss/(profit) on disposal of property, plant and equipment		8	–
Increase in trade and other receivables		(289)	(1,457)
Increase in inventories		(1,413)	(1,965)
Increase in trade and other payables		1,601	236
Cash generated from operations		4,439	2,461
Tax paid		(1,465)	(132)
Interest paid		(16)	(84)
Net cash flows from operating activities		2,958	2,245
Investing activities			
Purchase of intangible assets	10	(77)	(28)
Purchase of property, plant and equipment	11	(163)	(49)
Proceeds received from investment in LLP		–	138
Bank balances acquired		98	–
Sale of investments		(6)	–
Net cash (used in)/generated by investing activities		(148)	61
Financing activities			
Proceeds from new share capital subscribed		2,500	–
Share issue costs		(53)	–
(Reduction)/increase in borrowings		(712)	411
Dividends	17	(2,800)	(1,953)
Net cash used in financing activities		(1,065)	(1,542)
Net increase in cash and cash equivalents		1,745	764
Cash and cash equivalents at beginning of period		1,758	994
Cash and cash equivalents at end of period		3,503	1,758
Cash and cash equivalents consists:			
Cash and cash equivalents		3,503	1,758
		3,503	1,758

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

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 2016 were authorised for issue by the board of directors on 9 May 2017 and the statement of financial position was signed on the board's behalf by Neil Rodol.

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

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

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 conformity with International Financial Reporting Standards adopted by the European Union 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

The consolidated financial statements incorporate the financial statements of the Group and all of its subsidiary undertakings. The financial statements of all Group companies are adjusted, where necessary, to ensure the use of consistent accounting policies. Acquisitions are accounted for under the acquisition method from the date control passed to the Group. On acquisition, the assets and liabilities of a subsidiary are measured at their fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

The Group was formed after the company, prior to its IPO and listing on AIM, completed share for share transactions for two separate groups owned by the same shareholders. The Board have taken the view that the most appropriate way to account for these in line with IFRS is to deem the share for share exchange with the Warpaint Group (the own brand business) as a group reconstruction. This has been accounted for under the basis of merger accounting given that the ultimate ownership before and after the transaction remained the same. Merged subsidiaries undertakings are treated as if they have always been a member of the Group. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to the merger reserve.

There is currently no specific guidance on accounting for group reconstructions such as this transaction under IFRSs. In the absence of specific guidance, entities should select an appropriate accounting policy and IFRS permits the consideration of pronouncements of other standard-setting bodies. This group reconstruction as scoped out of IFRS 3 has therefore been accounted for using predecessor accounting principles resulting in the following practical effects;

- (a) The net assets of the two companies are combined using existing book values, with adjustments made as necessary to ensure that the same accounting policies are applied to the calculation of the net assets of both companies;
- (b) No amount is recognised as consideration for goodwill or negative goodwill;
- (c) The consolidated profit and loss account includes the profits or losses of each company for the entire period, regardless of the date of the reconstruction, and the comparative amounts in the consolidated financial statements are restated to the figures presented by the predecessor company Warpaint Cosmetics Group Limited;
- (d) The retained earnings reserve includes the cumulative results of each company, regardless of the date of the reconstruction, and the comparative amounts in the statement of financial position are restated to the presented by the predecessor company Warpaint Cosmetics Group Limited

The share for share exchange of the other group of companies, namely Treasured Scents (the close-out business) was acquired on 11 November 2016 and has been treated as an acquisition under IFRS 3.

This is the first year that the Group has presented its results under IFRS. No reconciliation has been provided because there are no material differences.

On 21 November 2016, the Company also undertook a capital reduction pursuant to which 16,340,000 B ordinary shares of £0.052 each held by Sam Bazini and Eoin Macleod were cancelled in consideration for the transfer of the entire issued share capital of Warpaint Cosmetics Limited to a company owned and controlled by Sam Bazini and Eoin Macleod.

Going concern

The Directors have prepared a detailed forecast with a supporting business plan for the foreseeable future. The forecast indicates that the Group will remain in a positive cash position throughout the forecast period. As such, the Directors have a reasonable expectation the Company and Group will have adequate resources to continue in operational existence for the foreseeable future. As such, they continue to prepare the financial statements on the basis of going concern.

Revenue Recognition

Revenue for the Group is measured at the fair value of the consideration received or receivable. The Group recognises revenue for goods sold when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

1. Significant accounting policies (continued)

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 company's warehouse according to the terms of sale.

Where the Company has entered in to distributor arrangements the risk and rewards are considered to be with the distributor from the date of dispatch from either the Company's overseas supplier or from the Company's UK warehouse. Revenue will therefore be recognised from the date of dispatch.

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 for a future liability 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

Exceptional items which have been disclosed separately on the face of the income statement in order to summarise the underlying results. Exceptional items include costs incurred by the Group in relation to IPO costs. Neither 'underlying profit or loss' nor 'exceptional items' are defined by IFRS however the directors believe that the disclosures presented in this manner provide clear presentation of the financial performance of the Group.

Intangible assets

Patents

Patents are used by the Group in order to generate future economic value through normal business operations. 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.

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 so as to write off the carrying value over the expected useful economic life of five years.

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, and 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:

Land and buildings	– 50 years
Plant and machinery	– 25% reducing balance
Fixtures, fittings and equipment	– 25% reducing balance
Computer equipment	– 25% reducing balance
Motor vehicles	– 25% reducing balance

Financial assets

The Group classifies its financial assets into the categories, discussed below, due to the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transactions 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

1. Significant accounting policies (continued)

The Group's loans and receivables comprise of trade and other receivables included within the combined statement of financial position.

Cash and cash equivalents include cash held at bank and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities in the combined statement of financial position.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Group classifies its financial liabilities as other financial liabilities which include the following:

- 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.

Leased assets

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Operating Leases

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to the combined statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

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 profit or loss 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 balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

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.

Foreign currencies

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling of the Statement of Financial Position date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at operating profit.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

1. Significant accounting policies (continued)

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 and the Chief Financial Officer.

The Board considers that the Group's project activity constitutes two operating and two reporting segments, 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.

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.

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.

Changes in accounting policies

This is the first year the Group has prepared financial statements under International Financial Reporting Standards, therefore all relevant IFRS's have been adopted.

New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which have not been applied in this financial information, will or may have an effect on the Group's future financial information:

- IFRS 9 Financial Instruments (July 2014 amendments) – This standard incorporates requirements for classification and measurement, impairment, general hedge accounting and derecognition of financial instruments.

- IFRS 15 Revenue from Contracts with Customers (May 2014, September 2015 and April 2016 amendments) – This standard replaces IAS 18, 'Revenues' and introduces a five step approach to revenue recognition based on performance obligations under customer contracts.

- IFRS 16 Leases (January 2016 amendments) – This standard replaces IAS 17, 'Leases' and introduces leases with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

The effect of these standards is under review but has not yet been quantified.

Critical accounting estimates and judgements

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.

Judgements and accounting estimates and assumptions

(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.

(b) Fair value of consideration

Goodwill arising on the acquisition of Treasured Scents (2014) Limited is calculated using consideration which is measured at fair value. The Group has used the earnings method in calculating fair value of the consideration being the EBITDA (earnings before interest, tax, depreciation and amortisation) multiplied by an 'earnings multiple'. The directors have used judgement in calculating the level of the earnings multiple.

(c) Intangible assets acquired

On acquisition of Treasured Scents (2014) Limited the group has recognised the customer list also obtained in the business combination. The valuation of the customer list is based on judgement involved in assessing the projected future cashflows arising from those customers. Further judgement is involved in assessing the life of the intangible asset and a suitable discount rate to be used to measure the future revenues to present value.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

2. Segmental information

For management purposes, the Group is organised into two operating segments; W7 Branded and close-out. The segment 'W7 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. Revenue and costs not included in one of these operating segments, for example administrative expenses, have not been allocated to an operating segment.

Year ended 31 December	2016 W7 Branded £'000	2016 Close-out £'000	2016 Total £'000	2015 W7 Branded £'000
Revenue	21,862	621	22,483	16,938
Cost of sales	(13,078)	(614)	(13,692)	(10,229)
Gross profit	8,784	7	8,791	6,709
Administrative expenses	(2,483)	(152)	(2,635)	(1,117)
Exceptional items	(1,739)	–	(1,739)	–
Segment result	4,562	(145)	4,417	5,592
Reconciliation of segment result to profit before tax:				
Segment result	4,562	(145)	4,417	5,592
Finance expense	(16)	–	(16)	(84)
Profit before tax	4,546	(145)	4,401	5,508
Analysis of total revenue by geographical market:				
UK			11,841	9,135
USA			2,880	526
Rest of World			7,762	7,277
Total			22,483	16,938

Information regarding segment assets and liabilities as at 31 December 2016 and capital expenditure for the period then ended:

	W7 Brand £'000	Close-out £'000	Eliminations £'000	Total £'000
Total assets	21,694	4,293	(7,261)	18,726
Total liabilities	(9,056)	(2,653)	7,261	(4,448)
Tangible asset additions	163	14	–	177
Intangible asset additions	1,394	–	–	1,394
Total capital expenditure	1,557	14	–	1,571

3. Operating profit

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

	Year ended 31 December	
	2016 £'000	2015 £'000
Foreign exchange movement	(28)	(2)
Depreciation and amortisation	115	55
Loss on disposal of fixed asset	8	–
Operating lease	263	–
Exceptional IPO costs	1,739	61

Exceptional costs relate to legal and professional fees and commissions incurred in listing the company on AIM in the year ended 31 December 2016 were £1,739,000 (2015: £61,000).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

3. Operating profit (continued)

Analysis of auditor's remuneration is as follows:

	Year ended 31 December	
	2016	2015
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Group's annual accounts	13	18
Fees payable to the Company's auditor for the audit of subsidiary companies	49	–
	62	18
Other services pursuant to legislation:		
Tax compliance	–	–
Tax advice	30	–
Services relating to IPO	308	–
Total non-audit fees	338	–

4. Staff costs

	Year ended 31 December	
	2016	2015
	£'000	£'000
Wages and salaries	1,413	387
Social security costs	159	40
Pension costs	6	6
	1,578	433

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

	Year ended 31 December	
	2016	2015
	No.	No.
Directors	3	2
Administrative	5	3
Finance	2	2
Warehouse	22	4
Sales	4	1
Other	4	–
	40	12

	Year ended 31 December	
	2016	2015
	£'000	£'000
Directors' remuneration, included in staff costs		
Salaries	330	–
Bonus	150	–
Pension contributions	–	–
	480	–

Information regarding the highest paid director is as follows:

	2016	2015
	£'000	£'000
Emoluments	167	–
	167	–

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

5. Finance expense

	Year ended 31 December	
	2016	2015
	£'000	£'000
Finance expense		
Loan interest	16	84
	16	84

6. Income tax

	Year ended 31 December	
	2016	2015
	£'000	£'000
Current tax expense		
Current tax on profits for the period	1,225	1,116
Adjustment in respect of previous periods	19	–
	1,244	1,116
Deferred tax expense		
Origination and reversal of temporary differences	16	7
Total tax expense	1,260	1,123

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	
	2016	2015
	£'000	£'000
Profit for the period before tax	4,401	5,508
Expected tax charge based on corporation tax rate of 20% in 2016 (20.25% in 2015)	880	1,115
Expenses not deductible for tax purposes	361	1
Other adjustments	3	2
Prior year adjustments	19	–
Deferred tax	(3)	5
Total tax expense	1,260	1,123

The UK corporation tax at the standard rate for the year is 20.0% (2015: 20.25%).

In July 2015 the UK government announced its intention to reduce the standard corporation tax rate to 18% by 2020. The measure to reduce the rate to 19% for the financial year beginning 1 April 2017 and to 18% for the financial year beginning 1 April 2020 were substantively enacted on 26 October 2015 and have been reflected in the calculation of deferred tax in the December 2016 numbers.

7. Subsidiaries

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

Subsidiary name	Nature of business	Place of incorporation	Percentage owned
Warpaint Cosmetic Group Limited	Holding company	England and Wales	100%
Warpaint Cosmetics (2014) Limited*	Wholesaler	England and Wales	100%
Treasured Scents (2014) Limited	Wholesaler	England and Wales	100%
Treasured Scents Limited*	Wholesaler	England and Wales	100%

* indicates indirect interest

On 11 November 2016, the Company acquired 100% of the issued share capital of Treasured Scents (2014) Limited and its subsidiary undertaking Treasured Scents Limited. All the other entities detailed above have been in existence for the whole of the reporting period.

The registered office for all the above-named subsidiaries is 2 Park Court, Pyrford Road, West Byfleet, Surrey, KT14 6SD.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

8. Acquisitions

Treasured Scents (2014) Limited

On 11 November 2016, the Group acquired the entire share capital of Treasured Scents (2014) Limited, a close-out cosmetics wholesaler based in the UK. The principal reason for acquiring Treasured Scents (2014) Limited was due to the company operating in the same industry and the client relationships maintained by the directors, Mr E. Macleod and Mr S. Bazini.

Treasured Scents (2014) Limited has contributed £621,260 to revenue for the period between the date of acquisition and the balance sheet date. Had Treasured Scents (2014) Limited been consolidated from 1 January 2016, the consolidated income statement for the year ended 31 December 2016 would show revenue of £26,968,000 and profit before tax of £4,927,000.

The provisional fair value of the net assets at the acquisition date is as follows:

	£'000
Client relationships	1,318
Property, plant and equipment	14
Stock	960
Trade and other receivables	1,142
Cash and cash equivalents	98
Trade and other payables	(334)
Current tax liabilities	(116)
Deferred tax liabilities	(250)
Net assets acquired	2,832
Goodwill arising on acquisition	513
Consideration	3,345

The gross contractual amount of trade receivables is equal to the fair value.

Goodwill comprises the value of expected synergies and other opportunities arising from the acquisition, management know how, the skilled work force employed by Treasured Scents (2014) Limited and other intangible assets that do not qualify for separate recognition. None of the goodwill recognised is expected to be deductible for tax purposes. The fair value of consideration has been calculated by means of an EBITDA multiple supported by a discounted cashflow model.

The fair value of consideration paid is as follows:

	£'000
Share consideration	3,345
	3,345

The profit and loss for Treasured Scents (2014) Limited from the date of acquisition to 31 December 2016 is as follows:

	£'000
Revenue	615
Cost of sales	(614)
Gross profit	1
Administrative expenses	(152)
Loss before tax	(151)
Tax expense	19
Total comprehensive loss for the period	(132)

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

9. Goodwill

	£'000
Cost	
Arising on business combination	513
At 31 December 2016	513
Amortisation	
At 31 December 2015 and 31 December 2016	–
Net book value	
At 31 December 2016	513
At 31 December 2015	–

Goodwill represents the excess of consideration over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill arising on acquisition in the year ended 31 December 2016 relates to the Group's acquisition of Treasured Scents (2014) Limited.

Impairment is calculated by comparing the carrying amounts to the value in use derived from discounted cash flow projections for Treasured Scents (2014) Limited. A CGU is deemed to be an individual fascia 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 pre-tax discounts rate of 15% (2015: nil). Cash flows beyond the five-year period are extrapolated using the average growth rate of 0.5% (2015: nil). Management have performed the annual impairment review as recognised by IAS 36 and have concluded that no impairment is indicated with the fair value of goodwill exceeding book value.

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 EBITDA – this is based on reasonable forecasts for the first year. These have been forecasted for years two to five based on expected sales trends
- Discount Rate – pre-tax discount rate of 15% reflects the Directors' estimate of an appropriate rate of return, taking into account 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 0.5%.

Management believe that no reasonably possible change in key assumptions would lead to an impairment of goodwill.

10. Intangible assets

	Customer list £'000	Patents £'000	Website £'000	Licenses £'000	Total £'000
Cost					
At 1 January 2015	–	63	–	–	63
Additions	–	28	–	–	28
At 31 December 2015	–	91	–	–	91
On acquisition of subsidiaries	1,318	–	–	–	1,318
Additions	–	41	30	6	77
At 31 December 2016	1,318	132	30	6	1,486
Accumulated amortisation					
At 1 January 2015	–	22	–	–	22
Charge for the year	–	4	–	–	4
At 31 December 2015	–	26	–	–	26
Charge for the year	44	8	4	1	57
At 31 December 2016	44	34	4	1	83
Net book value					
At 31 December 2016	1,274	98	26	5	1,403
At 31 December 2015	–	65	–	–	65
At 1 January 2015	–	41	–	–	41

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

11. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Costs						
At 1 January 2015	1,400	80	10	5	–	1,495
Additions	–	3	16	30	–	49
At 31 December 2015	1,400	83	26	35	–	1,544
Additions	–	6	43	42	72	163
On acquisition of subsidiary	–	2	4	–	8	14
Disposals	(1,400)	–	–	(9)	–	(1,409)
At 31 December 2016	–	91	73	68	80	312
Accumulated depreciation						
At 1 January 2015	9	8	1	–	–	18
Charge for year	28	18	2	3	–	51
At 31 December 2015	37	26	3	3	–	69
Charge for year	14	14	9	10	11	58
On disposals	(51)	–	–	(1)	–	(52)
At 31 December 2016	–	40	12	12	11	75
Net book value						
At 31 December 2016	–	51	61	56	69	237
At 31 December 2015	1,363	57	23	32	–	1,475
At 1 January 2015	1,391	72	9	5	–	1,477

The disposal of land and buildings occurred as part of the capital reduction exercise referred to in note 18 pursuant to which the entire issued share capital of Warpaint Cosmetics Limited was transferred to a company owned and controlled by Sam Bazini and Eoin Macleod.

12. Inventories

	As at 31 December	
	2016 £'000	2015 £'000
Finished goods	7,669	5,296

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £11,690,172 in the year ended 31 December 2016 (2015: £8,987,787).

13. Trade and other receivables

	As at 31 December	
	2016 £'000	2015 £'000
Trade receivables – gross	2,674	3,204
Allowance for doubtful debts	(110)	(100)
Trade receivables – net	2,564	3,104
Other receivables	16	607
Prepayments and accrued income	2,784	459
Total	5,364	4,170

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

14. Trade and other payables

	As at 31 December	
	2016	2015
	£'000	£'000
Current		
Trade payables	2,537	634
Social security and other taxes	–	284
Other payables	23	603
Accruals and deferred income	281	194
Total	2,841	1,715

The directors consider that the carrying value of trade and other payables measured at book value and amortised cost approximates to fair value. Included in other payables are amounts owed to directors of £16,918 as at 31 December 2016 (2015: £602,966). The amounts owed to the directors are interest free and are repayable on demand.

15. Loans and borrowings

	As at 31 December	
	2016	2015
	£'000	£'000
Bank loans		
Repayable within 1 year	–	201
Repayable within 2 – 5 years	–	425
	–	626
Total		
Repayable within 1 year	–	201
Repayable within 2 – 5 years	–	425
	–	626

The bank loan was secured over the assets of the Company and transferred out of the Group as part of the capital reduction. Refer to note 18.

16. Deferred Tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rate of 19%-20%.

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

	Year ended 31 December	
	2016	2015
	£'000	£'000
Opening balance	11	5
On acquisition of subsidiary	251	–
Recognised in profit and loss:		
Tax expense	16	7
Closing balance	278	12

The deferred tax has arisen due to the timing difference on accelerated capital allowances and on the intangible assets acquired in a business combination.

In July 2015 the UK government announced its intention to reduce the standard corporation tax rate to 18% by 2020. The measure to reduce the rate to 19% for the financial year beginning 1 April 2017 and to 18% for the financial year beginning 1 April 2020 were substantively enacted on 26 October 2015 and have been reflected in the calculation of deferred tax in the December 2016 numbers.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

17. Dividends

Year to December 2016	Paid	Amount per share	Total £'000
Interim dividend	4 April 16	£12,000	1,200
Interim dividend	25 Nov 16	9.79p	1,600
			2,800

Year to December 2015	Paid	Amount per share	Total £'000
Interim dividend	1 Jan 15	£1,090	109
Interim dividend	31 Jan 15	£1,430	143
Interim dividend	1 May 15	£1,600	160
Interim dividend	10 Oct 15	£6,100	610
Interim dividend	1 Dec 15	£9,310	931
			1,953

The payment of dividends prior to the group restructuring on 11 November 2016 were based on 100 ordinary shares in issue.

18. Called up share capital

		2016 No of shares	2015 No of shares	As at 31 December	
	Date	£'000	£'000	2016 £'000	2015 £'000
Allotted and issued					
Ordinary shares of £1 each					
Share issue on incorporation	11 Nov 16	16,340	–	16,340	–
Sub-division to A and B shares	15 Nov 16	16,340	–	–	–
Cancellation of B shares	21 Nov 16	(16,340)	–	(849)	–
Consolidation and subdivision of shares into ordinary shares 25p	24 Nov 16	45,621	–	–	–
Ordinary shares of £0.25 each		61,961	–	15,491	–
New share issue	30 Nov 16	2,577	–	644	–
Preference shares of £1 each		–	15,000	–	15,000
		64,538	15,000	16,135	15,000

At the date of incorporation, 2 ordinary shares of £1 were issued.

On 11 November 2016, the Company issued a further 16,339,998 ordinary share of £1 each in exchange for 15,000,100 ordinary shares in Warpaint Cosmetics Group Limited and 1,339,900 ordinary shares in Treasured Scents (2014) Limited.

On 15 November 2016, the Company re-designated and subdivided the ordinary shares of £1 in issue into 16,340,000 A ordinary shares of £0.948 each and 16,340,000 B ordinary shares of £0.052 each.

On 21 November 2016, the Company undertook a capital reduction pursuant to which 16,340,000 B ordinary shares of £0.052 each held by Sam Bazini and Eoin Macleod were cancelled in consideration for the transfer of the entire issued share capital of Warpaint Cosmetics Limited to a company owned and controlled by Sam Bazini and Eoin Macleod and the allotment and issue by that company to Sam Bazini and Eoin Macleod 16,340,000 B ordinary shares of £0.052.

On 24 November 2016, the Company consolidated each A ordinary share of £0.948 each into 1,000 A ordinary shares of £948 each and then subdivided each A ordinary share of £948 each into 3,792 A ordinary shares of £0.25 each. Each A ordinary share of £0.25 each was then re-designated into an ordinary share of £0.25 each.

On 30 November 2016 in an initial public offering Warpaint London PLC issued 2,577,320 ordinary £0.25 shares at a price of £0.97, resulting in an increase in share capital of £644,330 and share premium of £1,855,670 and directly attributable share issue costs of £50,000.

All ordinary shares carry equal rights.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

19. Other 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. On 30 November 2016 in an initial public offering Warpaint London PLC issued 2,577,320 ordinary £0.25 shares at a price of £0.97, resulting in share premium of £1,855,670 and share issue costs of £50,000.

Retained earnings

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

Merger reserve

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 the comparative period end, 31 December 2015 and as at the opening balance sheet date, 1 January 2015. The corresponding entry being the merger reserve so the overall net assets as at the comparative dates are not affected.

The movement on the merger reserve during the period arose due to the acquisition of Treasured Scents (2014) Limited on 11 November 2016. The shareholders of Treasured Scents (2014) Limited transferred their shares to Warpaint London PLC in exchange for shares in Warpaint London PLC, the difference in fair value of the consideration was £2,005,233. This is adjusted through the merger reserve as it is considered part of the consideration paid by Warpaint London PLC to acquire Treasured Scents (2014) Limited.

20. Related party transactions

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

Compensation of key management personnel (including Directors) is disclosed in note 5 with the exception of dividends and drawings which are disclosed in note 18.

During 2016, Treasured Scents (2014) Limited paid rent in the sum of £123,750 (2015: £31,250) to Trading Scents Group Limited, of which Mr Macleod is a director. At the year end the amount due to Trading Scents Group Limited was £Nil (2015: £Nil).

During 2016, Warpaint Cosmetics (2014) Limited paid rent in the sum of £30,000 (2015: £Nil) to Trading Scents Group Limited, of which Mr Macleod is a director. At the year end the amount due to Trading Scents Group Limited was £Nil (2015: £Nil).

During 2016, Warpaint Cosmetics (2014) Limited paid rent in the sum of £153,750 (2015: £31,250) to Direct Supplies (2014) Group Limited, of which Mr Bazini is a director. At the year end the amount due to Direct Supplies (2014) Group Limited was £Nil (2015: £Nil).

During 2016, Warpaint Cosmetics (2014) Limited paid consultancy fees in the sum of £150,000 to Outdoor Girl Limited, of which Mr Rodol is a director.

During 2016 as part of the restructure the group sold its subsidiary company Warpaint Cosmetics Limited by way of sale and purchase agreement to Johnhenlon Limited, a company which is owned jointly by Mr Bazini and Mr Macleod. This led to the cancellation of the ordinary B shares as noted by the capital reduction in the share capital note.

During the year, the Company advanced £15,000 to Mr S Bazini, a director of the company. During the year, the director repaid £93,803. Mr S Bazini incurred expenses on behalf of the company totalling £2,002. At the year end the company owed the sums of £15,779 (2015: £200,015) to Mr S Bazini.

During the year, the Company advanced £15,000 to Mr E Macleod, a director of the company. During the year, the director repaid £84,803. Mr E Macleod was reimbursed expenses on behalf of the Company totalling £2,663. At the year end the company owed the sums of £1,140 (2015: £402,952) to Mr E Macleod.

Dividends paid to Mr S Bazini prior to the company listing on AIM totalled £600,000 (2015: £976,500). Dividends paid to Mr E Macleod prior to the Company listing on AIM totalled £600,000 (2015: £976,500).

21. 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 and retained earnings totalling £16,013,479 as at 31 December 2016 (2015: £8,990,992).

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

21. Financial instruments (continued)

Capital risk management (continued)

	Year ended 31 December	
	2016	2015
	£'000	£'000
Financial assets		
Loans and receivables at amortised cost including cash and cash equivalents:		
Cash and cash equivalents	3,503	1,758
Trade and other receivables	2,617	3,711
	6,120	5,469
Financial liabilities		
Trade and other payables	(2,841)	(1,431)
Bank loan	–	(626)
	(2,841)	(2,057)
Net	3,279	3,412

Cash and cash equivalents

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

General risk management principles

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

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

Market risk

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

Interest rate risk

The Group's interest rate exposure arises mainly from its interest-bearing borrowings. Contractual agreements entered into at floating rates 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 £Nil (2015: £1,000) 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 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 2016, the Group has trade receivables of £2,564,383 (2015: £3,104,231).

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

21. Financial instruments (continued)

Credit risk (continued)

	As at 31 December	
	2016 £'000	2015 £'000
Current	1,296	1,012
1 – 30 days	1,084	1,087
31 – 60 days	112	406
61 – 90 days	89	140
91 + days	93	559
Total trade receivables – gross	2,674	3,204

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 31 December 2016 and, consequently, no further provisions have been made for bad and doubtful debts.

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 regular forecasts which estimate cash flows over the next eighteen months, so that management can ensure that sufficient funding is in place as it is required.

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:

	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	Total £'000
Year ended 31 December 2016				
Trade payables	2,537	–	–	2,537
Other payables	23	–	–	23
Bank loans	–	–	–	–
	2,560	–	–	2,560

	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	Total £'000
Year ended 31 December 2015				
Trade payables	634	–	–	634
Other payables	284	–	–	284
Bank loans	101	100	425	626
	1,019	100	425	1,544

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. The Group mitigates its foreign exchange risk by negotiating contracts with key suppliers that offer a flexible discount structure to offset any adverse foreign exchange movements and through the use of forward currency contracts.

	2016 £'000	2015 £'000
Derivatives designated and effective as hedging instruments carried at fair value:		
Exchange gain on forward foreign currency contracts	37	–

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

21. Financial instruments (continued)

Forward contracts and options

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.

As at 31 December 2016, the group has 2 (31 December 2015: Nil) forward foreign exchange contracts outstanding. Derivative financial instruments are carried at fair value.

The following table details the USD foreign currency contracts outstanding as at the balance sheet date.

a) Contracted exchange rate £/\$ rate	2016	2015
3 months or less	1.2411 – 1.266	–
3 to 6 months	–	–
	2016	2015
b) Contract value	£'000	£'000
3 months or less	1,398	–
3 to 6 months	–	–
	1,398	–
	2016	2015
c) Foreign currency	£'000	£'000
3 months or less	1,750	–
3 to 6 months	–	–
	1,750	–

Fair value of financial assets and liabilities

The Directors consider that there is no significant difference between the book value and fair value of the Group's financial assets and liabilities.

22. 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 £6,228 (2015: £5,746).

23. Operating lease commitments – Group company as lessee

The Group leases offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5-10 years, and are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Land and buildings	2016	2015
	£'000	£'000
Not later than 1 year	360	–
Later than 1 year and not later than 5 years	1,440	–
Later than 5 years	1,650	–
Total	3,450	–

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2016

24. Controlling party

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

25. 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 acquisition of Warpaint Cosmetics Group Limited by Warpaint London PLC on 11 November 2016 has been accounted for using merger accounting principles. The effect of using merger accounting principles on share capital is that the capital that existed 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 the comparative period end (31 December 2015) and as at the opening balance sheet date (1 January 2015).

The weighted average number of shares in issue for the current and prior year has therefore been stated to reflect the post IPO share capital structure, this adjustment assumes the total shares issued during the IPO were in issue throughout the whole of the current and previous period presented. The weighted average number of shares includes the shares issued as consideration for the acquisition of Treasured Scents (2014) Limited on 11 November 2016.

	2016	2015
Basic earnings per share (pence)	5.07	7.11

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

	2016	2015
Earnings	£'000	£'000
Earnings for the purpose of basic earnings per share, being the net profit	3,141	4,386

	2016	2015
Number of shares		
Weighted number of ordinary shares for the purpose of basic earnings per share	61,981,720	61,722,383

Company Statement of Financial Position

for the year ended 31 December 2016

	Note	2016 £'000
Fixed assets		
Investments	2	16,340
		16,340
Current assets		
Trade and other receivables	3	3,060
Cash and cash equivalents		859
Total current assets		3,919
Current liabilities		
Trade and other payables	4	67
Corporation tax liability		-
Total current liabilities		67
Net current assets		3,852
Total assets less current liabilities		20,192
Capital and reserves		
Share capital	5	16,135
Share premium	6	1,806
Capital redemption reserve		849
Retained earnings		1,402
Shareholders' funds		20,192

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 £3,850,780.

The financial statements on pages 51 to 54 were approved and authorised for issue by the Board of Directors on 9 May 2017 and were signed on its behalf by:

Neil Rodol
Chief Financial Officer

Company Statement of Changes in Equity

for the year ended 31 December 2016

	Note	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total Equity £'000
On incorporation		16,340	–	–	16,340
Share issue	5/6	644	1,806	–	2,450
Profit for the year		–	–	3,851	3,851
Share capital reduction	5	(849)	–	–	(849)
Dividends paid		–	–	(1,600)	(1,600)
As at 31 December 2016		16,135	1,806	2,251	20,192

Notes to the Company Financial Statements

for the year ended 31 December 2016

1. Significant accounting policies

Basis of preparation

The Company was incorporated on 4 July 2016, the first period of account is therefore the 6 month period ended 31 December 2016. 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 these financial statements the Company has taken advantage of the disclosure exemptions conferred by FRS 102. Therefore, these financial statements do not include:

- a statement of cash flows;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with wholly owned fellow Group companies.

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

Fixed asset investments are stated at cost less provisions for diminution in value. The Company takes advantage of merger relief when recording the cost of the investment.

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.

2. Investments

	At 31 December 2016 £'000
Cost and net book value	16,340

On 11 November 2016 Warpaint London PLC acquired the entire share capital in Warpaint Cosmetics Group Limited. On the same date, Warpaint London PLC acquired the entire share capital in Treasured Scents (2014) Limited.

The transactions were as set out below:

On 11 November 2016 Warpaint London PLC acquired the entire share capital in Warpaint Cosmetics Group Limited and Treasured Scents (2014) Limited.

On 11 November 2016 Warpaint London PLC and Warpaint Cosmetics Group Limited entered into a sale and purchase agreement whereby the share capital of Warpaint Cosmetics Limited was acquired by Warpaint London PLC for consideration totalling £849,680.

On 21 November 2016 Warpaint London PLC disposed of the entire share capital in Warpaint Cosmetics Limited through a capital reduction.

The Company subsidiaries, as at the period end are shown in note 8 of the consolidated financial statements.

3. Debtors

	At 31 December 2016 £'000
Due from group undertakings	3,036
Other debtors	16
Prepayments and accrued income	8
	3,060

4. Creditors due within one year

	At 31 December 2016 £'000
Trade payables	47
Accruals and deferred income	20
	67

5. Called up share capital

	At 31 December 2016 £'000
Allotted and issues	
64,538,600 ordinary shares of 0.25 pence each	16,135

At the date of incorporation, 2 ordinary shares of £1 were issued.

On 11 November 2016, the Company issued a further 16,339,998 ordinary share of £1 each in exchange for 15,000,100 ordinary shares in Warpaint Cosmetics Group Limited and 1,339,900 ordinary shares in Treasured Scents (2014) Limited.

On 15 November 2016, the Company re-designated and subdivided the ordinary shares of £1 in issue into 16,340,000 A ordinary shares of £0.948 each and 16,340,000 B ordinary shares of £0.052 each.

On 21 November 2016, the Company undertook a capital reduction pursuant to which 16,340,000 B ordinary shares of £0.052 each held by Sam Bazini and Eoin Macleod were cancelled in consideration for the transfer of the entire issued share capital of Warpaint Cosmetics Limited to a company owned and controlled by Sam Bazini and Eoin Macleod and the allotment and issue by that company to Sam Bazini and Eoin Macleod 16,340,000 B ordinary shares of £0.052.

On 24 November 2016, the Company consolidated each A ordinary share of £0.948 each into 1,000 A ordinary shares of £948 each and then subdivided each A ordinary share of £948 each into 3,792 A ordinary shares of £0.25 each. Each A ordinary share of £0.25 each was then re-designated into an ordinary share of £0.25 each.

On 30 November 2016 in an initial public offering Warpaint London PLC issued 2,577,320 ordinary £0.25 shares at a price of £0.97, resulting in an increase in share capital of £644,330 and share premium of £1,855,670.

All ordinary shares carry equal rights.

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2016

6. Share premium

	At 31 December 2016
	£'000
Share premium	1,806

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses incurred by the company. On 30 November 2016 in an initial public offering Warpaint London PLC issued 2,577,320 ordinary £0.25 shares at a price of £0.97, resulting in share premium of £1,855,670 and share issue costs of £50,000.

7. 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 20 of the Consolidated Financial Statements.



Appendix A

Treasured Scents (2014) Limited

Unaudited Income Statement for the year ended 31 December 2016

	Year ended 31 December	
	2016 £'000	2015 £'000
Revenue	5,676	5,271
Cost of sales	(4,233)	(4,601)
Gross profit	1,443	670
Administrative expenses	(969)	(722)
Profit from operations	474	(52)
Analysed as:		
Profit from operations before exceptional items	477	(52)
Exceptional items	(3)	–
Finance income	–	2
Profit before tax	474	(50)
Tax expense	(105)	8
Total comprehensive profit/(loss) for the financial year	369	(42)





Officers and Professional Advisors

Directors	C Garston S Bazini E Macleod N Rodol K Sadler P Hagon	Chairman Joint Chief Executive Officer Joint Chief Executive Officer Chief Financial Officer Non-executive Director Non-executive Director
Company Secretary	S Craig	
Registered Office	Units B&C Orbital Forty Six The Ridgeway Trading Estate Iver Buckinghamshire SL0 9HW	
Company Number	10261717	
Nominated Adviser & Broker	Stockdale Securities Limited Beaufort House 15 St. Botolph Street London EC3A 7BB	
Auditors	BD0 LLP 55 Baker Street London W1U 7EU	
Solicitors	DAC Beachcroft LLP 100 Fetter Lane London EC4A 1BN	
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	
Financial PR	IFC Advisory Limited 73 Watling Street London EC4M 9BJ	

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Orbital Forty Six

The Ridgeway Trading Estate

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