18 September 2019

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

Interim Results for the six months ended 30 June 2019

Warpaint London plc (AIM: W7L), the specialist supplier of colour cosmetics and owner of the W7 and Technic brands, is pleased to announce its unaudited interim results for the six months ended 30 June 2019.

Financial Highlights

- Sales up 2.9% to £18.9 million in H1 2019 (H1 2018: £18.4 million)
- International Group revenue increased by 7.8% to £11.1 million (H1 2018: £10.3 million)
- W7 brand delivered continued export sales growth year on year in the EU +12.4% and US +45.4%*[1] on a like for like US$ basis
- Gross profit margin reduced to 34.9% (H1 2018: 36.5%) due to impact of lower margin US sales
- Gross profit margin (excluding business conducted in the US) has improved to 37.8% (H1 2018: 36.4%)
- Adjusted profit from operations of £1.2 million in H1 2019 (before exceptional Items and amortisation costs) (H1 2018: £2.6 million). The majority of the movement in adjusted profit is due to:
  - Inclusion of Leeds Marketing Services Inc ("LMS") £0.5 million operating costs in H1 2019;
  - Overall reduction in gross profit margin;
  - Increased PR and marketing spend of £0.3 million to support sales initiatives; and
  - The effect of a charge of £0.1 million in H1 2019 in connection with IFRS 16 (leases),
- Retra (the business acquired by the Group in November 2017, including the Technic brand) achieved breakeven EBITDA in H1 2019 (H1 2018: £0.5 million loss)
- Reported loss before tax of £0.2 million (H1 2018 profit before tax of £1.3 million)
- Cash generated from operations of £2.0 million (H1 2018: £4.0 million) after investment in stock of £6.1 million to cover inventory in the US and Retra stock to maximise the sales opportunity
- Cash of £3.7 million at 30 June 2019 (30 June 2018: £5.5 million)
- Interim dividend maintained at 1.5 p per share

Operational Highlights

- International growth strategy in place and delivering
- Action taken at Retra to reduce costs and improve new product development
- Improved Christmas order book to be delivered by Retra, underpinning H2 outlook. Retra order book of £10.1 million at 30 June 2019 (30 June 2018: £9.5 million)
- Action taken at LMS to reduce cost base, improve margin and provide full range of Group product and brands
- PR spend to support growth and customers

*[1] Like for like numbers are comparisons year on year of the US business LMS as if it had been part of the Group throughout 2018.

Commenting, Sam Bazini and Eoin Macleod, Joint Chief Executives, said: "In a challenging retail market, particularly in the UK, the business is showing resilience and adapting to the changing market conditions, increasing international sales by 7.8% and seeing an improvement in the performance of Retra.

"Now that LMS is part of the enlarged Group this has accelerated our growth into the largest colour cosmetics market in the world and provides useful dollar based income.

"The Group's cosmetic brands remains the primary strategic focus of the Group, with significant sales of Christmas gifting being delivered in the second half of the year. As in 2018, we expect overall Group earnings to be weighted to the second half of this financial year.

"We have implemented a strategy in the UK which we believe will increase sales of the W7 brand over the medium term. In the US, we have made an encouraging start in H1 2019 with sales made by LMS up 36% on a like for like basis, and for the W7 brand, up 45% ("like for like" numbers are comparisons year on year of the US business LMS as if it had been part of the Group throughout 2018 and in US$). We have increased our marketing spend in the US to drive brand awareness and to help support sales initiatives, which should deliver revenue in the second half of 2019.

"With our strong financial foundation and having net cash, prospects remain encouraging and Warpaint is well positioned to deliver future growth. The outlook for the Group as we follow our growth strategy, remains positive.

"Our previous guidance remains unchanged. Group sales are expected to be approximately £50 million and adjusted profit before tax (excluding amortisation in connection with acquisitions, share incentive scheme costs and exceptional items, which the board expects to total approximately £2.8 million) will be in the range of £6 million to £7 million, for the financial year to 31 December 2019."

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Warpaint London plc

Warpaint London plc is made up of two divisions.

The largest division sells cosmetics under the lead brand names of W7 and Technic. W7 is sold in the UK primarily to discount retailers and internationally to local distributors or retail chains. The Technic brand is sold in the UK and the rest of Europe with a significant focus on the gifting market, principally for high street retailers and supermarkets. In addition, this division supplies white label cosmetics produced for several major high street retailers. The Group also sells cosmetics using the smaller brand names of Man'stuff, Body Collection, Vintage, Outdoor Girl, Very Vegan, Chit Chat, Smooch, Copy Cat and Taxi.

The second division trades in close-out and excess stock of other branded cosmetics and fragrances from around the world.

Joint Chief Executives' Review

In H1 2019 sales of colour cosmetics under the Group's brands accounted for 82% of turnover (H1 2018: 84%). The small drop in Group brand sales percentage is due to additional close-out sales made in the US by LMS. Selling cosmetics under the Group's brands remains the primary strategic focus, with significant sales of Christmas gifting expected to be delivered in the second half of the year. As in 2018, we expect overall Group earnings to be weighted to the second half of this financial year.

The Group's lead brand remains W7, with sales in H1 2019 accounting for 54% of total revenue (H1 2018: 59%). In the UK, W7 revenues were down 11% in H1 2019 compared to H1 2018, due to the continuing tough trading conditions in the UK high street. We have implemented a strategy in the UK, in particular targeted at adding a number of new retailers for the Group, which we believe will increase sales of the W7 brand in the medium term. Whilst the UK was challenging, W7 brand sales continued to grow in Europe, which were up 12% compared to H1 2018, and the US, which were up 45% on H1 2018 on a like for like basis ("like for like" numbers are comparisons year on year of the US business LMS as if it had been part of the Group throughout 2018). In the Rest of the World, W7 sales were down on H1 2018 by 36%, this region being the smallest part of total W7 sales, primarily due to the timing of certain larger orders.

Since the acquisition of Retra in November 2017, we have taken steps to improve the sales of the all year round cosmetics sold under the Retra brands, to make the business profitable throughout the year and not only in the second half when Christmas gifting is delivered (this being 53% of Retra sales in 2018). We have seen an improvement in H1 2019, with Retra delivering break-even EBITDA for the half year (H1 2018: EBITDA loss £0.5 million).

On 2 August 2018 the Group acquired its US distributor, LMS, which is now fully integrated into the Group. Prior to the date of acquisition two thirds of LMS revenue was from distributing W7 products, the remainder being the sale of other branded cosmetics through its close-out activities.

The US is the largest colour cosmetics market in the world and developing sales into the region is a strategic goal for the growth of our brands. We have relocated the sales office of LMS to the heart of Manhattan,

New York, with a showroom displaying all the Group brands and situated in a building where other health and beauty businesses are located. This will be more convenient for buyers and should help increase sales. We have made an encouraging start in H1 2019 with sales made by LMS up 36% on a like for like basis compared to H1 2018 and, in particular, for the W7 brand, up 45%.

During the first half of the year we have increased our marketing spend in the US to drive brand awareness and to help support sales initiatives, which should help increase revenue in the second half of 2019. This includes an additional member of staff employed specifically to generate new business. We are also taking a number of measures to improve the margin in the US business, including changing our third party warehousing arrangements to reduce costs.

We continue to use manufacturing partners in China and Europe for our Group branded products, giving us the flexibility to choose those manufacturers we feel deliver the best product for the best price, and meet our legal and ethical compliance requirements. Helping in this process is the Group's Hong Kong based subsidiary sourcing office (acquired as part of the Retra transaction) and its China subsidiary (Jinhua Badgequo Cosmetics Trading Company Ltd), with local employees able to explore new factories and oversee quality control and ethical sourcing.

The close-out division in the H1 2019 represented 18% of the overall revenue of the Group. Whilst not a core focus, this side of the business provides a significant source of intelligence in the colour cosmetics market and access to new market trends. Although close-out is less significant for the Group's strategy, it has had a very good first half of 2019 with sales ahead of the same period in 2018 by 11.8%. This increase is entirely due to the close-out sales made in the US following the acquisition of LMS in August 2018.

The W7 brand is supported by an informed customer base, driven by the success of beauty blogs, celebrity endorsement and social media. We have applied the same approach during the year to the Retra brands with Technic and Man'stuff now having their own bespoke e-commerce sites. A similar marketing strategy has been deployed for our US e-commerce site launched during 2018, with sales made in local currency and with local fulfilment in place. Our strategy of producing a wide range of high quality cosmetics at an affordable price has remained our key focus and we are very pleased with the reaction that our expanding product range received during the year to date.

Strategy

In early 2018 the Board adopted a three year strategic plan for the business, which is measured, monitored and reviewed annually. The plan is designed to drive shareholder value and has defined targets for sales, EBITDA, earnings per share, cash and share price. The strategic plan was amended by the Board in early 2019 and includes six revised key strategic priorities:

1. **Continue to develop and build our brands**

We continue to build our major brands, by utilising brand ambassadors, bloggers and vloggers to engage with our target audience. Much of this is done through social media campaigns to educate and interact with our loyal brand users.

Other brands will continue to be used for customer bespoke orders and we are actively seeking sales partnerships with additional high street retailers who serve our target demographic, particularly in the UK. The bestselling lines in each range and brand have been identified to be launched in trial programmes in new retail outlets with the goal of delivering increased presence in the high street and growing market share.

2. Provide New Product Developments (“NPD”) that meets consumers changing needs and tastes

A key focus of the business and NPD team is to supply our customers with a wide range of affordable, high quality cosmetics. The NPD team is made aware of our required margin and minimum sales revenue per item before development begins, but affordability and quality remain important drivers in the development process.

While most of our brand ranges include core colour cosmetic items, we add on trend items and colourways developed by our growing NPD team, especially in our all year round ranges of our lead brands, W7 and Technic. This on trend and quick to market model is something our customers demand and expect from us.

Our Body Collection brand is being developed further to cater for the growing mature female cosmetics market, the Man’stuff brand allows us the opportunity to develop a growing male grooming market and our Very Vegan range continues to grow as a vegan lifestyle or product choice becomes more prevalent.

With our lead brands we are exploring opportunities in new sales channels and product categories e.g. tattoos, body scented sprays, and health and beauty accessories.

3. Grow market share in the UK

Following the Retra acquisition, we have started developing the combined customer base of the enlarged business to sell all brands to all customers in the UK and overseas. Over 75% of the UK market remains unexploited by us, in particular pharmacy chains and several high street multiples and grocers. Expanding the UK customer base and market share is a key focus of management.

4. Grow market share in the US and China

The acquisition of LMS, together with the US e-commerce site, is enabling a more rapid expansion in the US. A detailed sales and marketing plan for growth in the US is currently in development, including the use of a locally based digital PR agency.

In China, we are conducting business locally through our China subsidiary company. We are continuing to register products for sale in China in order to grow our total offering and increase sales.

5. Develop an online / e-commerce strategy for brand development and sales

Of W7’s target customers, market research indicates 45% are buying colour cosmetics online. We are currently considering a differentiated brand offering which will be available exclusively online.

6. Develop the appropriate organisational structure and people plan

Our roles have been further defined to avoid overlap of time and effort as the business continues to grow.

We continue to review the structures, resources and capabilities in the business with the objective of delivering the three year strategic plan, and communicate the plan throughout the Group to key staff.

Brands

In the first half of 2019 the Group continued to focus on the development of the Group's brands. Since acquiring Retra in November 2017 the focus has been on assisting the Retra product development team to make an improved, all year round, cosmetics offering and, the Retra sales team to get listings for their brands in accounts that W7 was already listed in, particularly overseas. This has helped the Technic brand in H1 2019 to gain a larger proportion of Group sales compared to H1 2018.

	H1 2019	H1 2018
Group brand sales	%	%
W7	66%	73%
Technic	24%	19%
Other Group brands	10%	8%
	100%	**100%**

Products

The largest selling product categories across all the Group brands, including white label sales, are eye products, face make-up and lip products, which together represented approximately 76% of revenue in H1 2019 (H1 2018: 79%).

H1 2019 product sales split for all our brands was as follows:

Eyes	38%
Face	28%
Lip	10%
Nails	7%
Gift	5%
Brushes	4%
Others	4%
Accessories & Sets	3%
Men	1%

Customers & Geographies

The largest customers for sales of our Group brands are in the UK, US, Australia and Europe. In 2018 our top ten Group brand customers represented 50% of revenues, this increased to 57% of total revenue in H1 2019.

US

We have continued to see growth in the US through our now acquired distributor LMS. Group sales for all our brands and close-out products sold into the US were up in the first half, increasing 36% compared to H1 2018 on a like for like basis. Current customers include Century 21, Macys Backstage, Marshalls, Bealls and TJ Maxx. Through our new showroom in New York we are now selling all the Group brands and promoting them with local PR activity and a larger sales team.

Europe

Group sales in Europe increased in H1 2019 by 17% compared to the same period in 2018. The W7 brand has seen European growth of 12% in the first half of 2019 against the same period last year. The Retra brands have seen significant European growth of 52% in H1 2019, through the introduction to existing W7 retailers.

Rest of the World

Sales in our Rest of the World region for the Group are down by 30% in the period, compared to the corresponding period last year. This is due to a reduction in orders from our Australian distributor for W7 in the first half of the year and a change in distributor in China and Hong Kong. We expect sales to the Rest of the World region to improve in the second half of 2019.

UK

Trading conditions in the UK remain challenging because of the UK high street slow down and ongoing Brexit anxiety. Group sales in the UK were down by 6% in H1 2019 compared to H1 2018.

For W7 alone, sales in the UK were down 11% for H1 2019 compared to H1 2018, most of which was due to the loss of customers that have gone into liquidation or closed their businesses, customers that have restructured with less outlets, or customers that have ongoing credit issues. We are, however, addressing this through targeting a number of new UK retailers for the Group. The top ten UK W7 customers accounted for 75% of W7 UK sales in H1 2019 (H1 2018: 67%). Sales to these customers grew by 2% in H1 2019, compared to H1 2018.

As of 30 June 2019 Retra have a larger order book for Christmas gifting than at 30 June 2018 already secured, which will be delivered during H2 2019. This will be the primary driver of revenues being weighted to the second half of the year, and most of it will be in the UK. Retra sales in the UK were up 4% for H1 2019, compared to H1 2018, some of which was from the introduction of the Retra brands to existing UK customers of the Group. All but one significant UK Retra customer grew sales in H1 2019 compared to H1 2018.

Summary

The first half of 2019 has presented challenging conditions for Warpaint, particularly in the UK, and the trading environment remains so. Nevertheless, the business has shown resilience and adapted to the changing market conditions, managing to increase international sales by 7.8% and seeing an improvement in the EBITDA performance of Retra.

Having the LMS team in our enlarged Group has accelerated our growth into the largest colour cosmetics market in the world and provides useful dollar based income. We are now applying our management expertise and industry knowledge to improve the results of LMS to contribute more positively to the Group results.

With our strong financial foundation and having net cash, prospects remain encouraging. The outlook for the Group as we follow and adopt our growth strategy, remains positive.

Sam Bazini and Eoin Macleod
Joint Chief Executive Officers
18 September 2019

Chief Financial Officer's Review

The first half of 2019 has seen the Group continue its strategy of building the W7 and Technic brands internationally. We remain focused on margin, continuing to generate cash, maintaining net cash, and delivering a progressive dividend policy.

Headline results, shown below, represent the performance comparisons between the consolidated statements of income for the half years ended 30 June 2019 and 30 June 2018.

Revenue

Total revenue grew by 2.9% from £18.4 million in H1 2018 to £18.9 million in H1 2019.

Group brands sales were £15.6 million in the first half of the year (H1 2018: £15.4 million). Our W7 brand had sales in the first half of the year of £10.3 million (H1 2018: £11.3 million). Our Retra brands contributed sales of £5.3 million in the first half of the year (H1 2018: £4.1 million), of this, Technic amounted to £3.8 million (H1 2018: £2.9 million).

The close-out division had sales in the first half of the year of £3.3 million (H1 2018: £3.0 million). Whilst encouraging that sales increased on the same period last year, close-out remains an opportunity business and the full year outturn is not expected to exceed 2018.

Christmas gifting across the Group is significant and consequently sales for the business will be more weighted to the second half of the year. As orders are gained ahead of time, gifting provides a greater degree of visibility. The Retra division is heavily focused on gifting sales, their order book for gifting at the half year point totalled £10.1 million, compared to £9.5 million at 30 June 2018.

Internationally, revenue grew 7.8% from £10.3 million in H1 2018, to £11.1 million in H1 2019.

Product Gross Margin

Gross margin was 34.9% for the half year compared to 36.5% in H1 2018. Gross margin has reduced primarily due to the geographic mix of sales and the larger proportion of lower margin US sales. Historically,

the W7 brand achieves the highest gross margin on sales, particularly in the UK, followed by the Retra brands, with close-out sales being the lowest margin across the Group.

Gross margin on sales in the US by the LMS division were low at 11.5% (FY 2018: 3.2%) on sales of £2.1 million in H1 2019. Up to the date of acquisition in August 2018, LMS earned commission on W7 sales, and Warpaint would sell stock to its US distributor at full margin, effectively the price charged to the customers in the US. Since the acquisition stock is sold at cost by the Group to LMS and commission is not charged back to the Group. Most of the sales made by LMS of its stock holding on hand at the date of acquisition have been sold through at little to no margin. As the initial stock holding is sold through, margin will recover to similar levels to the rest of the Group and we have seen this gradually happen in 2019.

Gross margin excluding sales in the US, increased by 1.4% across the Group from 36.4% in H1 2018 to 37.8% in H1 2019.

We are not experiencing cost pressure on our manufactured pricing and making good use of our Hong Kong buying office to ensure this continues. Currency pressure due to Brexit is mitigated with a discount mechanism linked to the US dollar exchange rate from our key supplier in China, by moving production to new factories of equal quality to retain or improve margin, and from increasing US dollar revenue which provides a natural hedge. We remain focused on improving gross margin in both our Group brand and close-out businesses and now in the enlarged Group including Retra and LMS.

Operating Expenses

Total operating expenses increased by £1.3 million from H1 2018 to H1 2019. Excluding amortisation of intangibles, depreciation charges, exceptional items, share based payments, foreign exchange movements and then rebasing numbers for the effect of IFRS 16 in H1 2019, operating expenses increased by £0.9 million from H1 2018 to H1 2019. This increase was mostly from the addition for the half year to June 2019 of the operating expenses of LMS for the first time being £0.5 million, and an increase in PR and marketing spend of £0.3 million.

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

Profit Before Tax

Group (loss)/profit before tax for the half year to 30 June 2019 was (£0.2) million, compared to a profit before tax of £1.3 million to 30 June 2018. The material changes in profitability between 30 June 2018 and 2019 were:

	Effect on Profit
• Reduction in Group gross margin of 1.6% to 34.9% for H1 2019	(£0.3) million
• Increased PR and Marketing spend to support sales initiatives	(£0.3) million
• Impact of IFRS16 Leases on the H1 2019 numbers only	(£0.2) million
• Operating expenses of LMS acquired in August 2018, included in H1 2019 only	(£0.5) million
• Increase in amortisation and depreciation costs (excluding IFRS 16 changes)	(£0.1) million
• Increase in the cost of the LTIP and EMI share option schemes	(£0.1) million

Earnings Per Share

The statutory interim basic and diluted (loss)/earnings per share was (0.22p) in H1 2019 (1.36p in H1 2018). The adjusted interim earnings per share before exceptional items and amortisation costs was 1.37p in H1 2019 (2.94p in H1 2018).

Long Term Incentive Plan ("LTIP") & EMI Share Options

No share awards have been granted since 24 September 2018.

The LTIP and EMI share options had no dilutive impact on earnings per share in the period. The share-based payment charge of the LTIP and EMI share options for the half year to 30 June 2019 was £0.13 million (H1 2018: £0.03 million) and has been taken to the share option reserve.

Cash Flow and Cash Position

Net cash flow generated from operating activities was £1.3 million compared to £2.9 million in H1 2018. The Group's net cash balance decreased by £1.9 million to £2.7 million as at 30 June 2019 (30 June 2018 £4.6 million). Management continue to monitor trade receivables and stock levels as the business continues to grow.

We expect capital expenditure requirements of the Group to remain modest. In H1 2019, £0.2 million (H1 2018: £0.2 million) was spent on new computer software and equipment, warehouse improvements and plant for additional warehouse storage at the Retra location, sales display units for use in store by customers, and other general fixtures and plant upgrades.

Acquisitions

On 2 August 2018, the Group acquired its US distributor LMS.

LMS was a customer of the Group before acquisition and distributed the W7 brand exclusively in the US. The business conducted with LMS prior to acquisition is included in the consolidated statement of comprehensive income for the half year ended 30 June 2018.

IFRS 16 Leases

The Group has adopted IFRS 16 from 1 January 2019, but has not restated comparatives.

From 1 January 2019, in place of rent of £0.4 million for the half year to 30 June 2019 charged to the consolidated statement of comprehensive income, there were lease finance costs of £0.1 million and depreciation of right-of-use assets of £0.5 million. The impact of IFRS 16 on the consolidated statement of comprehensive income for the half year to 30 June 2019 is an additional charge of £0.2 million (see note 2 to the financial statements).

Balance Sheet

The Group's balance sheet remains robust having net cash. Net assets totaled £38.7 million at 30 June 2019, with the majority made up of liquid assets of stock, trade receivables and cash. Included in the balance sheet is £7.1 million of goodwill and £8.3 million of intangible fixed assets arising from the acquisition accounting adopted to reflect the purchase of LMS in August 2018, Retra in November 2017 and 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.

The balance sheet also includes £6.2 million of property, plant and equipment, of which £4.9 million is the inclusion for the first time of the Group leasehold properties, now recognised as right-of-use assets as directed by IFRS 16. An equivalent lease liability is included of £5.1 million at the balance sheet date.

Trade receivables at 30 June 2019 were £11.3 million (30 June 2018: £11.8 million). Collection times remain inline with the prior half year.

Inventory at 30 June 2019 were £18.7 million (30 June 2018: £12.5 million). The rise in inventory was due to the increase in range offering across the Group, the acquisition of LMS who now hold a full range of our brands locally in the US, and a decision to accelerate the buying cycle for gifting of Retra to gain an early sell-in opportunity and maximise sales over the gifting season.

Loans and borrowings includes £1.0 million of invoice and stock finance outstanding of Retra, which was used to help fund the early import of its gifting business ahead of schedule compared to H1 2018.

Management are continually monitoring trade receivables and inventory levels to avoid working capital lock up as the business continues to grow.

Working capital increased by £2.0 million from 30 June 2018 to 30 June 2019 (£9.3 million from 30 June 2017 to 30 June 2018).

Foreign Exchange

The Group imports most of its finished goods from China paid for in US dollars, which this year, so far has strengthened against Sterling. This is the third year following the Brexit referendum of a strong dollar. The Group has a natural hedge from sales to the US which are entirely in US dollars, in H1 2019 these sales were higher at US$2.8 million (H1 2018: US$2.2 million). Together with the discount mechanism from our main supplier in China, sourcing product from new factories where it makes commercial sense to do so and by buying dollars when rates are favourable, we have been able to mitigate the effect of the strong US dollar against Sterling in H1 2019.

Dividend

The Board is pleased to have declared an interim dividend of 1.5p per share, to be paid on 15 November 2019 to shareholders on the register at close of business on 1 November 2019. The ordinary shares will be marked ex-dividend on 31 October 2019.

Neil Rodol
Chief Financial Officer
18 September 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	*Unaudited* 6 Months ended 30 June 2019	*Unaudited* 6 Months ended 30 June 2018	*Audited* Year ended 31 December 2018
		£'000	£'000	£'000
Revenue		18,943	18,402	48,477
Cost of sales		(12,325)	(11,683)	(31,263)
Gross profit		**6,618**	**6,719**	**17,214**
Administrative expenses	3	(6,675)	(5,345)	(12,330)
Analysed as:				
Adjusted profit from operations[1]		1,164	2,590	8,303
Amortisation		(1,221)	(1,163)	(2,272)
Impairment losses		-	-	(812)
Exceptional items	3	-	(53)	(335)
(Loss)/profit from operations		**(57)**	**1,374**	**4,884**
Finance expenses	4	(153)	(51)	(150)
(Loss)/profit before tax	3	**(210)**	**1,323**	**4,734**
Tax expense	5	44	(280)	(1,159)
(Loss)/profit for the period attributable to equity holders of the parent company		**(166)**	**1,043**	**3,575**
Other comprehensive income (net of tax):				
Exchange gain on translation of foreign subsidiary		-	-	48
Total comprehensive (loss)/income for the period attributable to equity holders of the parent company		**(166)**	**1,043**	**3,623**
(Loss)/earnings per share – Basic and diluted	6	(0.22)	1.36	4.66

Note 1 – Adjusted profit from operations is calculated as earnings before interest, taxation, amortisation, impairment and exceptional items.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30 June 2019	*Unaudited* As at 30 June 2018	*Audited* As at 31 December 2018
	£'000	**£'000**	**£'000**
ASSETS			
Non-current assets			
Goodwill	7,051	7,532	7,051
Intangible assets	8,289	9,516	9,486
Property, plant and equipment	6,220	1,475	1,358
	21,560	**18,523**	**17,895**
Current assets			
Inventories	18,667	12,527	15,362
Trade and other receivables	11,290	11,782	12,761
Cash and cash equivalents	3,654	5,546	4,041
	33,611	**29,855**	**32,164**
Total assets	**55,171**	**48,378**	**50,059**
LIABILITIES			
Current liabilities			
Trade and other payables	5,275	3,785	3,489
Loans and borrowings	1,268	257	2,169
Dividends payable	2,256	1,995	-
Lease liabilities	5,089	-	-
Corporation tax payable	582	364	1,034
	14,470	**6,401**	**6,692**
Non-current liabilities			
Loans and borrowings	422	682	553
Deferred tax liabilities	1,554	1794	1,796
	1,976	**2,476**	**2,349**
Total liabilities	**16,446**	**8,877**	**9,041**
NET ASSETS	**38,725**	**39,501**	**41,018**
EQUITY			
Share capital	19,187	19,187	19,187
Share premium	19,359	19,359	19,359
Merger reserve	(16,100)	(16,100)	(16,100)
Other reserves	338	74	209
Retained earnings	15,941	16,981	18,363
Total equity attributable to shareholders	**38,725**	**39,501**	**41,018**

CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	*Unaudited* 6 Months ended 30 June 2019	*Unaudited* 6 Months ended 30 June 2018	*Audited* Year ended 31 December 2018
		£'000	**£'000**	**£'000**
(Loss)/profit before tax for the period		(210)	1,323	4734
Adjusted by:				
Depreciation of property, plant and equipment		726	253	529
Impairment of goodwill		-	-	812
Amortisation of intangible assets		1,221	1,163	2,272
Net interest expense		153	51	150
Loss on disposal of property, plant and equipment and intangible assets		-	-	7
Share based payment		129	29	116
Movement in inventories		(3,305)	(996)	(2,524)
Movement in trade and other receivables		1,471	1,894	1,574
Movement in trade and other payables		1,780	248	(1,753)
Movement in derivative financial instruments		-	(3)	48
Cash inflow generated from operations		**1,965**	**3,962**	**5,965**
Income tax paid		(644)	(1,020)	(1,565)
Interest paid	4	(55)	(51)	(150)
Cash flows from operating activities		**1,266**	**2,891**	**4,250**
Purchase of property, plant and equipment		(196)	(231)	(392)
Purchase of intangible assets		(24)	(26)	(48)
Bank balance acquired		-	-	272
Acquisition of business		-	-	(1,591)
Cash flows used by investing activities		**(220)**	**(257)**	**(1,759)**
Principal elements of lease payments		(401)	-	-
Repayment of borrowings		(129)	(457)	(261)
(Decrease)/increase in stock and invoice finance facilities		(903)	-	1,587
Dividends		-	-	(3,145)
Cash flows used by financing activities		**(1,433)**	**(457)**	**(1,819)**
Net change in cash and cash equivalents		(387)	2,177	672
Cash and cash equivalents at beginning of period		4,041	3,369	3,369
Cash and cash equivalents at end of period		**3,654**	**5,546**	**4,041**
Cash and cash equivalents consists of:				
Cash and cash equivalents		**3,654**	**5,546**	4,041
		3,654	**5,546**	**4,041**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share Premium	Merger reserve	Foreign exchange reserve	Share option reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2018	19,187	19,359	(16,100)	-	45	17,933	40,424
Profit for the period	-	-	-	-	-	1,043	1,043
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**1,043**	**1,043**
Transactions with owners							
Movement in other reserves	-	-	-	-	29	-	29
Dividends paid	-	-	-	-	-	(1,995)	(1,995)
Total transactions with owners	**-**	**-**	**-**	**-**	**29**	**(1,995)**	**(1,966)**
As at 30 June 2018	**19,187**	**19,359**	**(16,100)**	**-**	**74**	**16,981**	**39,501**
As at 1 January 2018	19,187	19,359	(16,100)	-	45	17,933	40,424
On translation of foreign subsidiary	-	-	-	48	-	-	48
Profit for the year	-	-	-	-	-	3,575	3,575
Total comprehensive income for the year	-	-	-	**48**	**-**	**3,575**	**3,623**
Transactions with owners							
Movement in other reserves	-	-	-	-	116	-	116
Dividends paid	-	-	-	-	-	(3,145)	(3,145)
Total transactions with owners	**-**	**-**	**-**	**-**	**116**	**(3,145)**	**(3,029)**
As at 31 December 2018	**19,187**	**19,359**	**(16,100)**	**48**	**161**	**18,363**	**41,018**
As at 1 January 2019	19,187	19,359	(16,100)	48	161	18,363	41,018
On translation of foreign subsidiary	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(166)	(166)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(166)**	**(166)**
Transactions with owners							
Movement in other reserves	-	-	-	-	129	-	129
Dividends paid	-	-	-	-	-	(2,256)	(2,256)
Total transactions with owners	**-**	**-**	**-**	**-**	**129**	**(2,256)**	**(2,127)**
As at 30 June 2019	**19,187**	**19,359**	**(16,100)**	**48**	**290**	**15,941**	**38,725**

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), as adopted by the European Union.

The accounts have been prepared in accordance with accounting policies that are consistent with the Group's Annual Report and Accounts for the year ended 31 December 2018 and that are expected to be applied in the Group's Annual Report and Accounts for the year ended 31 December 2019. There are new or revised standards that apply to the period beginning 1 January 2019 with further details provided in note 2 below.

The comparative financial information for the year ended 31 December 2018 in this interim report does not constitute statutory accounts for that period under 435 of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2018 have been delivered to the Registrar of Companies.

The auditors' report on the accounts for 31 December 2018 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

2. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

IFRS 16 Leases

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

Transition Method and Practical Expedients Utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 1 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of office space and warehouses, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 3.75%.

The right-of-use assets were measured as follows:

a. Office space: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
b. All other leases: the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.

The Group leases various premises and lease terms are negotiated on an individual basis. Until the 2018 financial year, property leases were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The impact on the balance sheet at 1 January 2019 was to increase the right-of-use assets by £5,392,000 with a corresponding increase in lease liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3. Profit from operations

Profit from operations is arrived at after charging/ (crediting):

	Unaudited **6 Months ended 30 June 2019**	***Unaudited*** **6 Months ended 30 June 2018**	***Audited*** **Year ended 31 December 2018**
	£'000	**£'000**	**£'000**
Depreciation of property, plant and equipment	726	253	529
Amortisation of intangible assets	1,221	1,163	2,272
Impairment of goodwill	-	-	812
Loss on disposal of property, plant and equipment and intangible assets	-	-	7
Reversal of stock provisions	-	-	114
Exchange differences	62	(106)	(359)
Exceptional acquisition related costs	-	53	335

Exceptional costs relate to legal and professional fees incurred when completing acquisitions.

4. Finance expenses

	Unaudited 6 Months ended 30 June 2019 £'000	*Unaudited* 6 Months ended 30 June 2018 £'000	*Audited* Year ended 31 December 2018 £'000
Interest on loans	25	13	28
HP interest	30	30	59
Other interest	98	8	63
Finance expenses	**153**	**51**	**150**

5. Tax expenses

	Unaudited 6 Months ended 30 June 2019 £'000	*Unaudited* 6 Months ended 30 June 2018 £'000	*Audited* Year ended 31 December 2018 £'000
Current tax expense			
Current income tax charge	**192**	**445**	**1,660**
	192	**445**	**1,660**
Deferred tax expense			
Relating to original and reversal of temporary differences	(236)	(165)	(501)
Total tax in income statement	**(44)**	**280**	**1,159**

6. Earnings per share

Profit for the period used in the calculation of the basic and diluted earnings per share:

	Unaudited 6 Months ended 30 June 2019 £'000	*Unaudited* 6 Months ended 30 June 2018 £'000	*Audited* Year ended 31 December 2018 £'000
Profit after tax for the period	**(166)**	**1,043**	**3,575**

The share options in issue at each period end have not been included in the computation of diluted earnings per share, as per IAS 33, the share options are not dilutive as they are not likely to be exercised given that the exercise price is higher than the average market price.

The weighted average number of shares for the purposes of diluted earnings per share reconciles to the weighted average number of shares used in the calculation of basic earnings per share as follows:

	Unaudited 6 Months ended 30 June 2019	*Unaudited* 6 Months ended 30 June 2018	*Audited* Year ended 31 December 2018
Weighted average number of shares			
Weighted number of ordinary shares for the purpose of basic earnings per share	76,749,125	76,749,125	76,749,125

Potentially dilutive shares awarded	-	-	-
Weighted number of ordinary shares for the purpose of diluted earnings per share	76,749,125	76,749,125	76,749,125
Earnings per share (pence) – Basic and Diluted	**(0.22)**	**1.36**	**4.66**
Earnings per share (pence) – Adjusted[1]	**1.37**	**2.94**	**9.11**

Note 1: Adjusted earnings per share has been calculated before amortisation, impairment and exceptional items.

7. Availability of Interim Results

Copies of this announcement are available on the Investors section of the Company's website, www.warpaintlondonplc.com.