



WARPAINT LONDON PLC

ANNUAL REPORT 2020





Contents

Strategic Report

- 03 Mission Statement
- 04 Headline Results
- 06 Chairman's Statement
- 08 Chief Executive Statement
- 14 Financial Review
- 20 Risk Management

Governance

- 23 Board of Directors
- 25 Corporate Governance Report
- 36 Section 172 Statement
- 38 Audit Committee Report
- 40 Remuneration Committee Report
- 43 Directors' Report
- 47 Independent Auditor's Report

Financial Statements

- 53 Consolidated Statement of Comprehensive Income
- 54 Consolidated Statement of Financial Position
- 56 Consolidated Statement of Changes in Equity
- 57 Consolidated Statement of Cash Flows
- 58 Notes to the Consolidated Financial Statements
- 83 Company Statement of Financial Position
- 84 Company Statement of Changes in Equity
- 85 Notes to the Company Financial Statements

Other Information

- 88 Officers and Professional Advisers



Mission Statement

“Warpaint’s mission is to provide access to an extensive range of high quality cosmetics at an affordable price.”

We strive to fulfil our mission by:

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

Our Values

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

Our Ethics

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

Our Ethos - Who will you be Today?

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



technic®

BODY COLLECTION®
ENGLAND

MAN'S STUFF™
by technic®

BODY COLLECTION®
ENGLAND
VINTAGE
by technic®

Headline Results

Headline results for the year to 31 December 2020

Warpaint London plc ("Warpaint", the "Company" or the "Group") is made up of two divisions.

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

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

Statutory Results

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Revenue	£40.3m	£49.3m
Profit / (loss) from operations	£(0.9)m	£2.1m
Profit margin from operations	na	4.3%
PBT / (LBT)	£(1.1)m	£1.8m
EPS / (LPS)	(1.3)p	1.8p
Cash	£4.9m	£2.7m

Adjusted Statutory Results

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Revenue	£40.3m	£49.3m
Adjusted profit from operations	£2.5m*	£5.6m*
Adjusted profit margin from operations	6.2%*	11.4%*
Adjusted PBT	£2.3m*	£5.2m*
Adjusted EPS	3.1p*	6.3p*
Cash	£4.9m	£2.7m

* Adjusted for £0.24 million of staff restructuring and voluntary redundancy costs (2019: £0.07 million), and inventory relocation costs in the US of £nil (2019: £0.08 million) and £0.08 million of legal costs (2019: £0.03 million) and £2.4 million of amortisation of intangible assets (2019: £2.4 million) and share based payments of £0.7 million (2019: £0.8 million). Adjusted numbers are closer to the underlying cash flow performance of the business which is regularly monitored and measured by management.

2020 Financial Highlights

- Group revenue of £40.3 million (2019: £49.3 million) in light of the Covid-19 pandemic and the impact of temporary closures of a number of customers' retail outlets
- Cash generated from operating activities increased by 70.7% to £7.5 million (2019: £4.4 million)
- Adjusted profit from operations of £2.5*¹ million (2019: £5.6*¹ million)
- Reported loss before tax of £1.1 million (2019: profit before tax £1.8 million)
- Adjusted earnings per share of 3.1p*¹ (2019: 6.3p*¹)
- The Group continued to generate significant cash and cash at the year end increased by 81.5% to £4.9 million (31 December 2019: £2.7 million)
- Final dividend recommended of 3.0 pence per share, bringing the total dividend for the year to 5.8 pence per share, including a special dividend of 1.3 pence per share paid in November 2020 to reflect that no final dividend was declared for 2019

2020 Operational Highlights

- Swift reaction to the impact of Covid-19 with a plan quickly formulated and successfully executed
- Repositioned business to increase focus on mainstream high street stores and online
- Commencement of sales of:
 - W7 products in Tesco stores
 - Technic and Body Collection products in wilko stores
- Launch of Amazon FBA and e-Commerce revenue significantly accelerated in the UK and the USA
- Rationalisation of brand and product range in line with focused strategy

Post-Period End Highlights

- Improved trading experienced in the first quarter of 2021 - sales for the first three months of 2021 9% ahead of the same period in 2020, a period that was only impacted by Covid-19 related lockdowns in its last few weeks, with sales increases seen in all the Group's geographic regions
- Product gross margin improved in the first quarter of 2021 versus the same period in 2020.
- Further expansion in the number of Tesco stores stocking the Group's products and the stocking of additional W7 product lines
- Further product expansion in USA with W7 products now being stocked in over 1,000 Five Below stores
- The Company is now debt free with the remaining loans and HP contracts totalling £0.3 million being repaid in full in April 2021. As at 27 April 2021 the Company had cash balances of £5.8 million

*¹ Adjusted for £0.3 million of exceptional costs (2019 £0.2 million), £2.4 million of amortisation of intangible assets (2019: £2.4 million) and share based payments of £0.7 million (2019: £0.8 million). Adjusted numbers are closer to the underlying cash flow performance of the business which is regularly monitored and measured by management.



Clive Garston

Chairman's Statement

2020 was a year dominated by the Covid-19 pandemic. Prior to the onset of the pandemic, trading in the first two months of the year was strong. However, with global lockdowns commencing in March the picture changed dramatically and the Group witnessed a significant reduction in sales as many of our customers' retail outlets in the UK which were regarded as non-essential and in other markets were forced to close, in particular in the EU and the USA. These were unprecedented trading conditions, with the economy and industry facing some of its most significant challenges ever.

Warpaint entered the pandemic in robust health, with a strong balance sheet and an agile management team capable of dealing with the challenges presented by the pandemic. During the year we took the opportunity to reposition the business to increase our focus on mainstream high street stores and to build our online presence. We also reviewed our brands and product lines with a subsequent reduction in the number of products. This enabled us to remove those that do not fit with our strategic goals and worked to ensure that our product range, pricing and customer base gives us the best possible opportunity for future growth as the world recovers.

I believe the Group has weathered the pandemic well and has proved its flexibility and resilience in dealing with an unprecedented and unforeseeable situation. I am particularly pleased to note the progress we have made with the expansion of the number and type of UK retailers stocking the Group's products and the growth of our online presence

during 2020. Trading improved in the second half of the year and we are pleased to report this trend has continued into the first quarter of 2021.

Results

Revenue was significantly impacted as a consequence of the pandemic, with a corresponding impact on Group profitability. It is the board's opinion that without the impact of the coronavirus pandemic 2020 would have been a year of recovery and improvement in financial performance for the Group, a statement which is supported by the robust trading we saw in the first two months of 2020.

Adjusted profit from operations was £2.5 million (2019 £5.6 million) on revenue of £40.3 million (2019 £49.3 million) with basic earnings per share of (1.3)p (2019 1.8p) and adjusted earnings per share of 3.1p (2019 6.3p). Adjusted numbers exclude exceptional costs (staff restructuring and voluntary redundancy costs, certain legal costs and stock relocation costs), amortisation in relation to acquisitions and share based payments.

During 2020, the Group took the opportunity to streamline and reduce stock levels, with cash generated from operations increasing by 70.7%. The balance sheet remains strong, with cash at 31 December 2020 of £4.9 million (31 December 2019 £2.7 million), and management are confident Warpaint entered 2021 as a more efficient business with an improved focus.

Dividend

As announced in our results for 2019 the board decided in the interests of prudence given the considerable on-going uncertainty caused by Covid-19 at the

time, and in order to further preserve its cash resources, not to recommend a final dividend for 2019. However, as the business adapted to the issues presented by Covid-19 and the outlook improved the Group resumed dividend payments at the time of the 2020 interim results with an interim dividend declared of 2.8p per share, maintaining the prior year interim dividend of 1.5p per share, together with a one off additional 1.3p per share, to reflect that no final dividend was declared for 2019.

In accordance with the Group's policy to continue to pay appropriate dividends, the board is pleased to recommend a final dividend of 3.0p per share which, if approved by shareholders at the AGM, will be paid on 5 July 2021 to shareholders on the register at 18 June 2021. The shares will go ex-dividend on 17 June 2021.

Board and People

The pandemic has dramatically impacted the personal and working lives of everyone. For the team at Warpaint this has required significant changes to working practices and personal uncertainties to be overcome. I am delighted with the way in which everyone has met these challenges and I would like to offer my particular thanks this year to my fellow board members and the Group's employees for their exceptional efforts, good humour and resilience in these difficult times.

As announced in November 2020 the Company has commenced a search for an additional non-executive director following Paul Hagon's move to an executive role and I anticipate that we will be able to make an appointment during the first half of 2021.



Annual General Meeting

The Company's annual general meeting will be held on 11 June 2021 at 10.00 a.m. In light of the continuing public health restrictions associated with the Covid-19 pandemic, further details of the annual general meeting arrangements will be provided when the notice of annual general meeting is sent to shareholders.

Outlook

I was pleased that despite much of the world having some level of lockdown during the first three months of 2021 and the continued enforced temporary closure of a number of the Group's customers' retail outlets, sales for the first three months of 2021 in all the Group's geographic regions were ahead of the same period in 2020, a period that was only impacted by Covid-19 related lockdowns in its last few weeks. Product gross margin has also improved in the first quarter of 2021 versus the same period in 2020.

We are growing sales in the UK, and the launch of our products in over 1,000 Five Below stores in the USA is a significant step for the Group. We anticipate adding further retailers in due course and with our growing online sales we are well positioned for the future.

I am optimistic that these encouraging trends will continue and that we have the right strategy in place to deliver profitable future growth.

Clive Garston

Chairman
27 April 2021





Sam Bazini

Chief Executive's Statement

The Covid-19 pandemic has had and is still having, a significant impact on people's lives and businesses. Warpaint was not immune to its effects and whilst we continued to perform well with retailers that stayed open, the temporary closure of many retail outlets had a significant impact on our business.

At the beginning of the outbreak, and before the impact was felt in the UK, our initial focus was around the supply of our colour cosmetic products sourced in China, this being the main region of supply to the Group and I am pleased to report we experienced no impact on the availability of our product.

As the pandemic hit the UK the wellbeing of the Warpaint staff was our primary concern, whilst also continuing to ensure we traded to support the durability of our business for stakeholders. We took significant preventative measures across our business, both to protect the health of our staff and to minimise operational disruption.

As countries began to lock down first in Europe, then in the UK and USA, consumer demand switched to essential items and food, and away from colour cosmetics, particularly as their social interactions were curtailed. In response we reduced discretionary spend, those staff not working because of the decrease in business activity were furloughed and we temporarily deferred rental payments. Those staff still working to maintain operations did so wherever possible from home, and for those staff working in our offices and warehouses social distancing practices were quickly put in place to ensure their safety.

In the second half of the year, as the world adapted and some retail outlets reopened, demand returned for Warpaint's products. As sales and orders returned nearer to expected levels, so too did our discretionary spend (with the exception of PR, exhibitions and travel costs), nearly all staff returned to work full time and rental payments were bought up to date and recommenced. The Group utilised minimal government Covid-19 related support other than the UK Government's furlough scheme, which was used for a short period of time during the first lockdown and where affected staff continued to be paid in full, and a small amount of temporary support in the USA covering three employees.

We also took the opportunity in 2020 to review our overall strategy, rationalise our product range and increase our focus on online sales. I believe this strategy is already bearing fruit and I am particularly pleased with the trends in the UK, highlighted by the commencement of sales in Tesco and wilko stores.

W7

The Group's most significant brand remains W7, with sales in 2020 accounting for 45% of total Group revenue (2019: 46%). Overall W7 sales reduced by 19% in 2020 compared to 2019.

However, in the UK, W7 revenues in 2020 increased by 8%, despite the impact of the pandemic and an 18% reduction in H1 2020 sales compared to H1 2019. The UK is the most important market for W7, having grown in importance to account for 47% of sales in 2020, compared to 35% in 2019. We have implemented a strategy in the UK which we believe will increase sales of the W7 brand further

and are seeing the fruits of this with the successful launch of the W7 brand into Tesco, including a further increase in both the number of Tesco stores stocking W7, and the number of W7 products being stocked, in the first quarter of 2021. We are in discussions with other major retailers in the UK with a view to them stocking W7 products.

Internationally W7 sales were down in all reported regions due to the strict lockdowns imposed due to the Covid-19 pandemic, particularly in the first half of the year. In Europe sales fell by 29% compared to 2019, in the USA sales fell by 53% compared to 2019, and in the rest of the world sales fell by 34% compared to 2019.

Towards the end of the year, as Covid-19 lockdowns eased, we saw a strong recovery for W7 in the UK, Europe and the rest of the world, with sales in the later months of the year in line with the board's budget for the year, set prior to the Covid-19 pandemic. This trend has continued through the first quarter of 2021, with an especially positive performance for W7 in the UK, despite the reintroduction of lockdowns in the UK and elsewhere.

We believe that W7 has a compelling brand proposition and will continue to benefit from consumers wanting a high quality but cost effective product.

Technic

The Technic brands comprise Technic, Body Collection and Man'stuff. Since the acquisition of the Technic brands, through the acquisition of Retra Holdings in November 2017, we have taken steps to improve the sales of the all year round



cosmetics sold under the brands, and to make the business profitable throughout the whole year, not only in the second half when Christmas gifting is delivered. The split of gifting at 48% and single products at 52% remained the same as in 2019, although there was a shift to more all year round from specific Christmas focused gifting product.

Sales of branded Technic product in 2020 was 36% of total Group revenue (2019: 34%). Overall Technic sales only declined by 10% despite the Covid-19 impact, as the brands have a strong presence in essential retailers, although the largest customer for the Technic brands was closed for significant parts of the year.

In 2020, UK revenues were 49% of Technic's sales and they decreased by 11% over the year, despite being down 30% in the first half. The improved second half performance was predominantly a reflection of the successful launch in September of a range of Technic and Body Collection branded products in wilko, with Christmas gifting delivered to wilko from October. We anticipate sales will continue to grow through wilko, particularly as store footfall increases following the opening of non-essential retail on the high street.

In Europe, Technic's largest market in 2019, sales fell by 9% compared to 2019. As with W7, sales fell in Europe due to the strict lockdowns in the key countries.

In the USA, sales increased by 11% compared to 2019, and in the rest of the world sales fell by 34% compared to 2019, albeit the sales were small in these regions in the context of the Group as a whole.

The business encompassing the Technic brands also produces and sells own brand white label cosmetics for several major high street retailers, with such sales being 7% of Group revenue (2019: 5%). These sales grew by 7% in 2020, compared to

2019. We continue to assess private label opportunities on a case by case basis, based on the return they can deliver.

As with W7 we saw a strong recovery in sales for Technic in the UK, Europe and the rest of the world since the easing of the Covid-19 lockdowns in the later part of 2020, with this trend continuing into 2021, despite the reintroduction of lockdowns in some territories.

Close-out

Whilst the Group's close-out division continues to provide a good source of intelligence in the colour cosmetics market the focus on these activities further reduced in 2020, particularly with the decision taken to significantly reduce close-out sales in the USA, as the Group concentrated on selling its own brands there. Consequently, the close-out division represented 12% of Group revenue in 2020, down from 15% in 2019 and 16% in 2018. Close-out sales have been intentionally reduced further in the first quarter of 2021, as the Group focuses on sales of its brands.

New Product Development

New product development remained a key focus of the Group's activity in 2020, despite the pandemic, and will continue to be core to the Group's proposition to provide new products that are on trend, fast to market and that meet the consumer's quickly changing needs.

Our New Product Development Team continues to develop a strong pipeline of new products, focused on the demands of our customers. New products introduced in 2020 included the W7 skincare range, which has been extremely well received, with many positive online reviews, together with a revamping of the vegan range.

Our new product development strategy continues to utilise manufacturing partners, predominantly in China and Europe, that provide the best product quickly, for the best price, and meet our legal and ethical compliance requirements. This process is supported by the Group's Hong Kong based subsidiary sourcing office and its China subsidiary (Jinhua Badgequo Cosmetics Trading Company Ltd), with local employees able to explore new factories and oversee quality control and ethical sourcing.

The Group is also focused on the environmental impact of its products and has removed all plastics from the outer packaging of its gifting and all year-round products, and has virtually eliminated the use of single use packaging in its products completely. The Group's product packaging therefore uses paper and cardboard wherever practicable, which enables the Group, the wholesaler and end user to recycle the waste effectively. In terms of the Group's product casings, the use of plastic is sometimes practically unavoidable but recyclable packaging is used wherever possible.

All new W7 brand products are being manufactured without parabens and the Company is reformulating existing products where feasible. The Group aims to be paraben free for all products in the next 24 to 36 months.

e-Commerce

During 2020 we placed an increased emphasis on driving online sales and ensuring that our online pricing was closely matched to that of our larger retailers. Whilst direct online sales remain a modest proportion of the Group's overall sales, they more than doubled from £0.2 million in 2019 to over £0.5 million in 2020, and we anticipate further significant progress in 2021. In Q1 2021 the Group's e-commerce sales were £0.24 million.

Chief Executive's Statement (continued)

In 2020 we listed our brands in the UK, in May, and the USA, in August, on Amazon FBA (Fulfilment by Amazon), in addition to using our own websites, which has helped accelerate our online sales. The strategy is to appropriately apply marketing spend in order to generate further sales momentum and a further launch on Amazon EU is planned to be implemented in the near future.

Marketing and PR

In 2020 we continued our focus on ensuring our marketing programmes were both fresh and innovative, in both the traditional and social media environment. In particular we instituted a loyalty programme and specific social media programme targeted at driving website visit conversions into sales and increasing basket size.

Strategy

As previously outlined, in early 2018, the board adopted a three-year strategic plan for the business. This is measured, monitored and reviewed regularly and was updated by the board in 2021 with a view to it forming the basis of the Group's development through to the end of 2024. The plan is designed to drive shareholder value and has defined targets for sales, EBITDA, earnings per share and cash generation, with a particular emphasis on driving incremental EBITDA growth. The strategic plan comprises six key pillars:

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

The Group continues to review, evaluate and develop the Group's portfolio of brands to ensure there is a clear brand hierarchy; a clear proposition by brand; non-core brands and product stock are eliminated; and that the Group delivers new product development and gifting sets that meet customer needs.

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

A major objective of the Group is to continue to develop and grow the presence of the Warpaint brands beyond their existing worldwide customer base. There is still, however, significant potential to be realised in the current customer base and the Group is committed to ensuring this potential is maximised. The Group is focused on ensuring there is a clarity of product offering to each customer segment and to supporting its customers with relevant new products; by using appropriate marketing to draw consumers into customer stores; and by cross selling the Group's brands where appropriate.

- **Grow Market Share in the UK**

The business continues to focus on increasing the presence of the Group's brands in channels that our consumers shop in, to increase accessibility and drive profitable market share growth. As a result of this strategy, the Group has successfully launched the W7 brand into Tesco and the Technic brands into wilko. It continues to have active discussions with other major retailers who are currently in channels that the Group is yet to materially supply to and expanding the UK customer base is a key focus of management. This is particularly opportune as retailers across all sectors are increasingly looking to provide quality products to their customers at affordable prices.

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

The USA and China continue to provide a major growth opportunity for the Group. In the USA, the Group continues to investigate the optimal route to market through established agency channels and/or direct to retailers, and is establishing a core product range for the USA with minimum margin requirements.

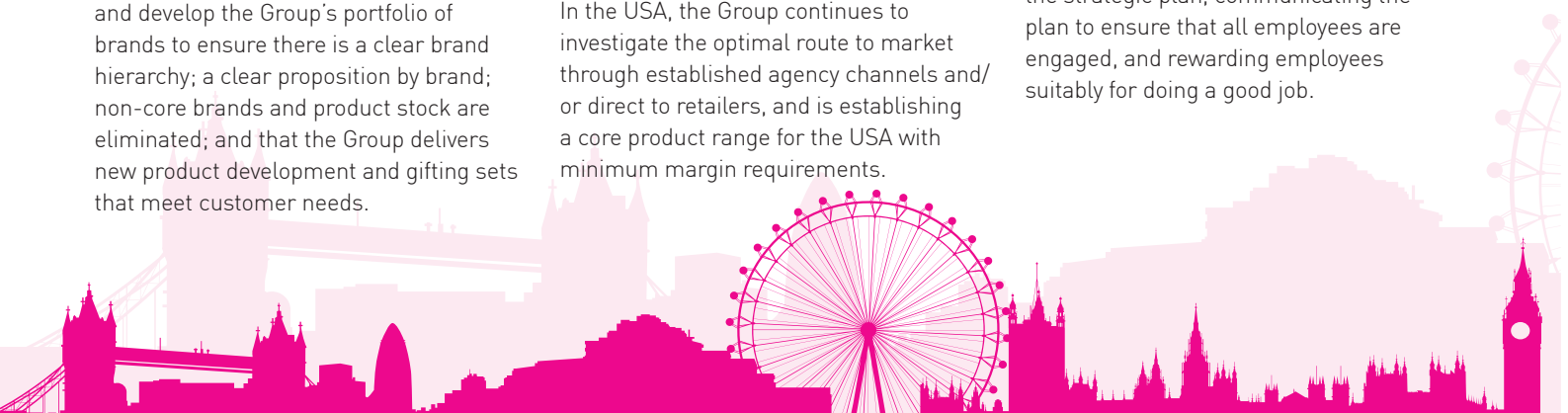
In China the Group conducts business locally through its Chinese subsidiary company. We are also continuing to register products for sale in China in order to grow our total offering and increase sales. This has led to the development of relationships with distributors in the region who have the capability to drive sales of the W7 brand there.

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

The Group aims to grow its profitable sales across the Group's online sales channels, ensuring the process is optimised and efficient. The Group continues to develop and build its brands by utilising brand ambassadors, influencers and make-up artists to engage actively with its target audience. The Group wants to ensure that consumers are adequately inspired and educated on how the Group's products can be used to experiment and achieve different looks. The Group has launched a loyalty programme that creates a W7 community of customers to drive sales conversion on the Company's website. The aim of these activities is to create an interactive community of consumers and drive recommendation. Developing the social media strategy also directly impacts the Group's online sales strategy. As an example, 45% of W7's target customers are buying cosmetics online.

- **Develop the appropriate organisational structure, people strategy and organisational efficiency**

Warpaint continues to review the businesses' structures, resources and capabilities with the objective of delivering the strategic plan, communicating the plan to ensure that all employees are engaged, and rewarding employees suitably for doing a good job.



Brands

During 2020 we undertook a review of all our brands, removing from sale those small number of brands that were sub-scale and did not have a compelling market position. This exercise has enabled the Group to focus on its core W7, Technic, Body Collection, Man'stuff, Chit Chat and Very Vegan brands. We are also developing Body Collection as a key brand, which we believe has untapped potential given it is currently sold in only one UK retailer.

Customers & Geographies

UK

The UK accounted for 52.5% of Group sales in 2020 (2019: 46.1%), with UK sales reducing by only 6.9% to £21.1 million (2019: £22.7 million) despite the effects of Covid-19 forcing temporary UK high street store closures. In the UK the Group performed better through the Covid-19 crisis than in our international regions because the imposed lockdown was not as severe and some of our UK customers were deemed "essential", so they remained open for business.

The top ten UK Group customers accounted for 63% of UK sales in 2020 (2019: 64%). Those customers that remained open through Covid-19 performed well in 2020. Additionally the Group benefited in the second half of the year from the sales of W7 product in Tesco and the Technic brands in wilko, both of which were new retailers for the Group.

Europe

Europe has for some time been an area of excellent growth for the Group and accounted for 37.5% of Group sales in 2020 (2019: 38.2%). However the Covid-19 pandemic impacted sales severely once country wide lockdowns started in March

2020 and stores were forced to close.

Sales for the Group's brands into Europe are mainly to Spain, Denmark, Sweden and Germany.

European sales for 2020 reduced 19.7% to £15.1 million (2019: £18.8 million). However, with Group sales overall in Europe decreasing in H1 2020 by 35% compared to the same period in 2019, there was a significant recovery in the second half of the year as the Covid-19 lockdowns were eased.

Advance plans were made to ensure business continuity, as far as possible, whilst the nature of the UK's future trading relationship with the EU remained uncertain. Following the UK trade deal with the EU at the end of the year there has been some disruption in early 2021, however, this has now largely been overcome. The Group is utilising the Company's wholly owned subsidiary, Warpaint Cosmetics (ROI) Limited, in the Republic of Ireland, which was formed specifically to facilitate the Group's EU trading and to help mitigate against UK/EU cross-border disruption.

USA

The USA was the hardest hit of any of the Group's markets by the impact of Covid-19. USA sales, in sterling terms, reduced by 56.7% in 2020 to £2.1 million (2019: £5.0 million) and equated to 5.3% of overall 2020 Group sales. Current customers in the USA include Macys Backstage, Marshalls, and TJ Maxx, all of whom have been required to shut stores for periods during 2020. Post year end, following a successful trial with store group Five Below, W7 products are now being stocked in over 1,000 of their stores in the USA.

The Group's USA subsidiary, LMS, is now fully integrated into the Group. Prior to its acquisition in August 2018 two thirds of LMS revenue was from distributing W7 products, the remainder being the sale of other branded cosmetics through its close-out activities. Since the acquisition the focus has been more on own brands and leveraging the marketing and other synergies contributed at a Group level. The USA is the largest colour cosmetics market in the world and developing sales there is a strategic goal for the Group. As previously reported, we implemented a number of measures to improve margins in the USA business, including changing our third party warehousing arrangements to reduce costs and by restructuring the staff levels in the USA, saving US\$0.4 million in 2020.

Nevertheless, despite these actions, the impact of the Covid-19 lockdown on the USA business has been significant, and therefore we have re-evaluated our strategy for the USA and we have accelerated our online sales strategy via Amazon FBA, and reduced the locally sourced close-out.

Rest of the World

Sales in the rest of the world reduced from £2.8 million in 2019 to £1.9 million in 2020, accounting for 4.7% of overall Group sales. As with our other international regions, overall sales were down due to the Covid-19 pandemic. However, sales did recover in the later part of the year as Covid-19 lockdowns eased, although some countries retain significant restrictions. In Australia which is a key country in the rest of the world region sales increased slightly.

Chief Executive's Statement (continued)

Summary and Outlook

Whilst 2020 was undoubtedly a challenging year and the pandemic had a significant impact on the Warpaint business, I am pleased with the progress that we were able to make and I believe Warpaint has emerged as stronger business. In particular, we made substantial advances with our retail presence in the UK, commencing significant sales through Tesco and wilko for the first time. Our W7 products are selling well at Tesco and we have further expanded the number of Tesco stores that are stocking our products, and the number of products being stocked, post period end. Likewise our Body Collection and Technic ranges have been very well received by wilko customers. We intend to further expand our UK retail presence in 2021.

We have also taken the opportunity to review all elements of our strategy in 2020 and I believe that we have a compelling product proposition that is attractive to our global customer base. The late Brexit trade deal led to unexpected issues in the early part of 2021 for our sales into the EU, but I am pleased to say that these are now largely overcome.

The USA remains a challenging market, but I believe we now have an appropriate strategy for profitable growth in this region, including accelerating our online proposition. In the USA I am particularly pleased to see our W7 products now being stocked in over 1,000 Five Below stores following a successful trial.

Trading in 2021 has started strongly with sales for the first three months

of 2021 9% ahead of the same period in 2020, with sales increasing in all our geographic regions, despite the continuing lockdowns and enforced temporary customer store closures in many of our markets. I am encouraged by the outlook for the rest of the year and beyond as we seek to increase our high street penetration and online sales, together with looking to grow our sales through our existing customer outlets.

In closing, I would like to thank all our staff for their efforts in 2020 and helping us to overcome the challenges of the pandemic.

Sam Bazini

Chief Executive Officer
27 April 2021



WHO WILL YOU BE TODAY?



WHO WILL YOU BE TODAY?

Annual Report 2020





Neil Rodol

Financial Review

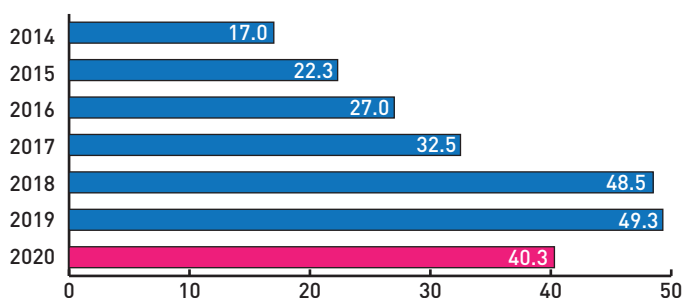
The Covid-19 pandemic had a material impact on our financial performance in the year, resulting in lower than budgeted sales and profits. Group revenue decreased in the year by 18%, and adjusted profit before tax decreased in the year by 56%.

The actions we took as a business in response to Covid-19 enabled us to remain focused on margin, being net debt free, generating cash and safeguarding the business and the jobs of our employees.

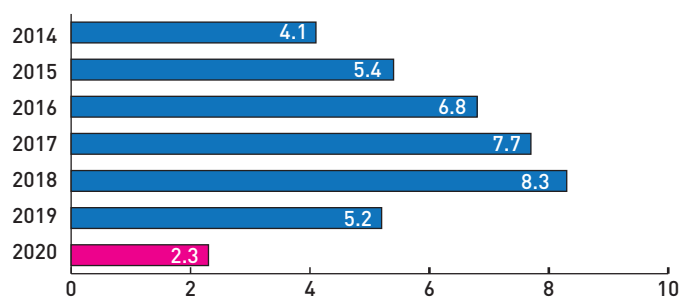
Headline results, shown below, represent the performance comparisons between the consolidated statements of income for the years ended 31 December 2019 and 31 December 2020.

KPIs

Revenue (£m) 2020: £40.3 million -18%



Adjusted profit before tax* (£m) 2020: £2.3 million -56%



*Adjusted for £0.24 million of staff restructuring and voluntary redundancy costs (2019: £0.07 million), and inventory relocation costs in the US of £nil (2019: £0.08 million) and £0.08 million of legal costs (2019: £0.03 million) and £2.4 million of amortisation of intangible assets (2019: £2.4 million) and share based payments of £0.7 million (2019: £0.8 million).



Covid-19 Stress Testing and Liquidity

The lockdowns in 2020 throughout the world in response to Covid-19 meant the Group traded in a very uncertain and difficult time. In response, the board reacted swiftly and decisively with a plan to protect our staff, the business and to put in place measures to conserve cash, including not recommending a final dividend for 2019.

In the second half of the year trade across the Group returned to near normal levels and consequently dividends were resumed against a background of good control of cash and continued cash generation, plus a testament to the response of the business through Covid-19. The board declared an interim dividend of 2.8p per share, maintaining the prior year interim dividend of 1.5p per share, together with a one off additional 1.3p per share, to reflect that no final dividend was declared for 2019. The dividend payment of 2.8p per share was paid on 20 November 2020.

With Covid-19 still causing economic uncertainty in 2021 we have modelled a range of scenarios based on varying levels of annual sales revenue, through to the end of 2022. In each scenario, mitigating actions within the control of management have been modelled, each showing there are sufficient cash balances to meet liabilities as they fall due and so the board is confident that the Group has sufficient financial strength to withstand the current disruption to its activities. The board therefore believes that it remains appropriate to prepare the financial statements on a going concern basis (see Note 1 to the financial statements).

Revenue

Group revenue for the year reduced by 18.3% from £49.3 million in 2019 to £40.3 million in 2020. The fall in sales year on year was due to the Covid-19 lockdowns in the UK and internationally.

Company branded sales were £32.8 million in the year (2019: £39.2 million). Our W7 brand had sales in the year of £18.2 million (2019: £22.5 million). Our Technic brand contributed sales of £14.5 million in the year (2019: £16.7 million).

In the UK Group sales reduced 6.9% from 22.7 million in 2019, to £21.1 million in 2020, with a strong recovery in the second half of the year. Internationally, Group revenue reduced 28.0% from £26.6 million in 2019, to £19.1 million in 2020. In Europe Group sales reduced by 19.7% to £15.1 million (2019: £18.8 million). In the rest of the world Group sales fell by 32.6% to £1.9 million (2019: £2.8 million). In the USA Group sales fell by 56.7% to £2.1 million (2019: £5.0 million), in part because of the decision to concentrate on the sale of our Group brands ahead of locally sourced close-out opportunities, and from the disruption caused by Covid-19.

Our strategy for growth includes continuing to develop and build our Group brands and provide new product development that meets changing trends and consumer needs, to develop and nurture the current core business, to grow market share in the UK, USA and China, to develop an online strategy for brand development and sales and, to put in place appropriate organisational structure, people and efficiencies in the business. A detailed commentary on our sales growth strategy and trading

performance is included in the Chief Executive Officer's statement.

Our Retra business had sales of retailer own brand white label cosmetics of £2.6 million in the year (2019: £2.5 million). The white label business is traditionally cost competitive and Retra chooses which projects to undertake based on commercial viability, and in particular margin.

The close-out business revenue reduced by 36.2% from £7.7 million in 2019 to £4.9 million in 2020.

Other income of £0.4 million was received from the UK Government's furlough scheme in the year.

Product Gross Margin

Gross margin for the Group decreased by 2.4% from 33.5% to 31.1%.

Gross margin reduced largely due to sales of inventory at lower than normal margin across the Group. This was in response to Covid-19 in order to maximise cash generated in the business and reduce overall inventory holding by the year end in the UK and USA. In the USA this was an acceleration of our strategy to exit sales of locally sourced close-out brands and to focus on the sale of our Group brands.

A thorough review of inventory was carried out considering stock turn, margin, and stock age, so that those with the worst scores in each category and combined could be identified and sold off. In total £1.5 million of inventory identified in this process was sold in the year for £0.9 million. Without this action gross margin for the year would have been in line with 2019 at 33.4%.

Financial Review (continued)

During the year we did not experience pressure on the cost of inventory and made good use of our Hong Kong buying office to ensure this continued. However, since the start of 2021 we have noticed slight price increases coming from our supply base in China and container freight rates have increased dramatically before falling back steadily, both these cost increases have been offset by a weakening dollar.

To counter currency pressure we have in place a discount mechanism linked to the US dollar exchange rate from one of our key suppliers in China, although in 2020 this did not apply as buying volumes were greatly reduced because of Covid-19. When business levels return to normal, we expect to be making use of this US dollar discount mechanism again. We also continue to move production to new factories of equal quality to retain or improve margin and have a natural hedge from our US dollar revenue. We remain focused on improving gross margin in all our businesses.

The Group brands segment had sales of £35.4 million at a margin of 31.1% (2019: £41.6 million at a margin of 34.9%). Margin reduced because of the inventory reduction plan implemented in response to Covid-19.

The close-out segment of the Group had sales of £4.9 million at a margin of 31.2% (2019: £7.7 million at a margin of 25.7%). The inventory reduction plan also applied to close-out, however any negative effect on close-out margin was more than offset by the availability in the year of some high margin close-out parcels and consequently close-out margin improved in the year.

At 31 December 2019 options were in place for the purchase of US\$15 million at US\$1.3142/£ and this helped to protect our margin through a turbulent period in the foreign exchange markets, in which the US dollar strengthened to US\$1.15/£ during the peak of the Covid-19 pandemic. Similarly, at 31 December 2020 options were in place for the purchase of US\$18 million at US\$1.3260/£.

Operating Expenses

Total operating expenses before exceptional items, amortisation costs, depreciation, foreign exchange movements and share based payments, decreased by £0.8 million to £8.7 million in the year. This decrease was made up of a reduction in discretionary spend on travel, planned events and exhibitions totalling £0.9 million in response to Covid-19, an increase in cost in trading online of £0.1 million as sales online increased sharply in response to Covid-19, an increase in the charge for

bad debts of £0.2 million in the USA from a large retail customer entering Chapter 11 bankruptcy as a result of the pandemic, and a decrease in other overheads of £0.2 million.

The most significant operating costs in the Group are wages and salaries of £5.5 million (2019: £5.5 million) and planned events and exhibitions for our brands of £0.6 million (2019: £1.2 million).

Wages and salaries remained unchanged year on year. During the first Covid-19 lockdown in 2020 use was made of the government job retention scheme (and a similar grant scheme in the USA) giving rise to other operating income of £0.36 million. All staff were paid 100% of their salaries whilst furloughed. The reduction in planned events and exhibitions was in response to the Covid-19 pandemic, exhibitions were cancelled across the world and planned events and promotional activity had to be postponed or cancelled.

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

In 2020 Group loss before tax was £1.1 million compared to a profit before tax of £1.8 million in 2019.

The material changes in profitability between 2020 and 2019 were:

	Effect on Profit
• Reduction in Group gross margin of 2.4% for 2020	(£1.0) million
• Gross margin on decrease in sales for 2020 at 33.5%	(£3.0) million
• Increase in other operating income in 2020 (job retention scheme)	£0.4 million
• Decrease in operating expenses (see above heading)	£0.8 million
• Increase in exceptional costs in the year	(£0.1) million
• FX charge in the year £0.4 million (2019: £0.2 million)	(£0.2) million
• Decrease in the cost of the LTIP and EMI share option schemes	£0.2 million

Adjusted profit before tax (before exceptional items, amortisation costs, and share based payments) was £2.3 million compared to £5.2 million in 2019, a fall of 55.8%.

Exceptional Items

Exceptional costs in 2020 included £0.24 million of staff restructuring and voluntary redundancy costs and £0.08 million of legal costs (2019: £0.15 million of staff restructuring plus inventory relocation costs, and £0.03 million of legal costs).

Tax

The tax rate for the Group for 2020 was 10% compared to the UK corporation tax standard rate of 19% for the year. Since the acquisition of LMS, the Group is exposed to tax in the USA at an effective rate of approximately 25% and in other jurisdictions the Group operates cost centres, but these are not materially exposed to changes in tax rates.

Earnings Per Share

The statutory basic earnings per share was a loss of 1.31p in 2020, compared to the 1.78p achieved in 2019.

Adjusted earnings per share before exceptional items, amortisation costs and share based payment costs was 3.11p in 2020, a decrease of 50.3% on the 6.26p achieved in 2019.

Dividends

The board is recommending a final dividend for 2020 of 3.0 pence per share, making a total dividend for the year of 5.8 pence per share of which 2.8 pence per share, including a special dividend of 1.3 pence per share to reflect that no final dividend was declared for 2019, was paid on 20 November 2020 (2019: The board in the interests of prudence given the considerable on-going uncertainty due to Covid-19, and in order to further preserve the Company's cash resources, resolved not to recommend a final dividend for 2019, making the interim dividend of 1.5 pence per share in effect the only dividend declared in respect of 2019). The dividend for the year was covered 0.5 times by adjusted earnings per share.

Financial Review (continued)

Cash Flow and Cash Position

Net cash flow generated from operating activities was £7.5 million (2019: £4.4 million), after payment of the £0.3 million (2019: £0.2 million) exceptional items previously referred to. The Group's cash balance increased by £2.2 million to £4.9 million in 2019 (2019: £2.7 million). The cash generated was principally used to make dividend payments in the year.

We expect capital expenditure requirements of the Group to remain low, however as part of our strategy to grow market share in the UK and USA there will be occasions where investment in store furniture is required to secure that business. In 2020 £0.66 million was spent on store furniture for Tesco and wilko (2019: £0.05 million), and £0.18 million was spent on new computer software and equipment, and other general office fixtures and fittings and plant upgrades (2019: 0.23 million).

LTIP, EMI & CSOP Share Options

On 20 May 2020 CSOP share options were granted over a total of 454,686 ordinary shares of 25p each in the Company under the Warpaint London PLC Company Share Option Plan. The options provide the right to acquire 454,686 ordinary shares at an exercise price of 49.5p per ordinary share.

The LTIP, EMI & CSOP share options had no dilutive impact on earnings per share in the period. The share-based payment charge of the LTIP, EMI and CSOP share options for the year was £0.66 million (2019: £0.82 million) and has been taken to the share option reserve.

Balance Sheet

Trade receivables are monitored by management to ensure collection is made to terms, to reduce the risk of bad debt and to control debtor days. At the year end trade receivables, excluding other receivables, were £7.7 million (2019: £10.3 million), the decrease on 2019 is mainly due to the fall in sales year on year because of the Covid-19 lockdowns. Apart from writing off a bad debt in the USA of £0.2 million, collection of cash was excellent in the year including payments from those customers that were in some distress because of the pandemic lockdowns in 2020. The provision at the year end for bad and doubtful debts carried forward is £0.04 million, 0.6% of gross trade receivables (2019: £0.04 million, 0.4%).

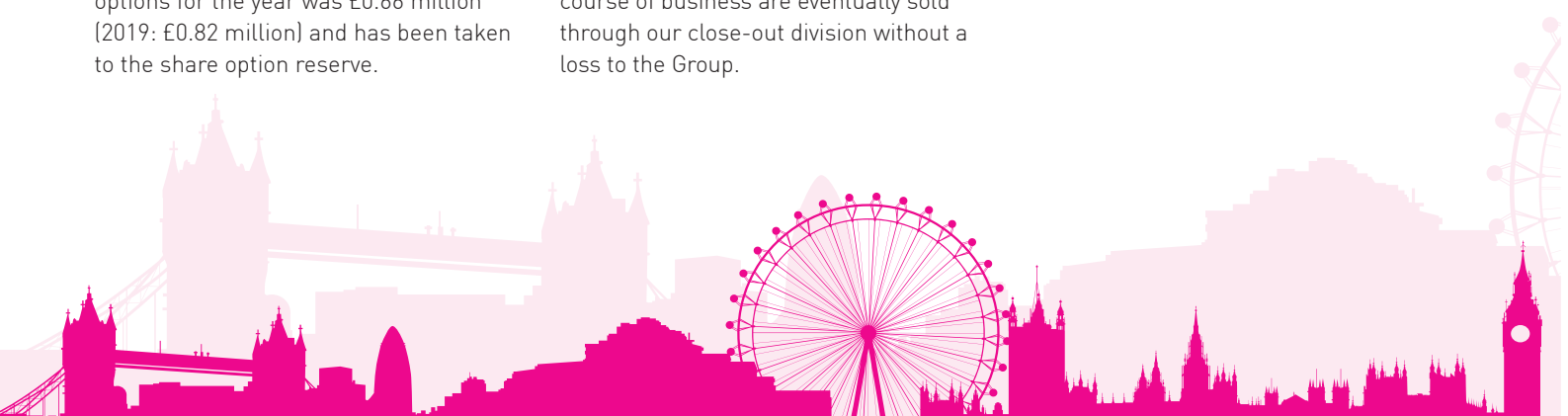
Inventory was lower at the year end at £14.9 million (2019: £16.4 million). The fall in inventory was due to the action taken to reduce inventory across the group in response to Covid-19, and our strategy of exiting the sale of locally sourced close-out brands in the USA. The provision for old and slow inventory was £0.52 million, 3.5% at the year end (2019: £0.19 million, 1.2%). The increase in provision arises from the Group policy of providing for 50% of the cost of perishable items that are over two years old, and mainly from providing for inventory in our USA business, LMS, that has aged to over two years old, without the chance of a sale because of the Covid-19 crisis. However, we remain comforted by the fact that in reality many such items in the normal course of business are eventually sold through our close-out division without a loss to the Group.

On acquiring Retra in 2017 the Group took on their debt of £8.7 million being £7.6 million of invoice and trade finance facilities, and £1.1 million of term loans and HP contracts. At the year end £0.3 million of invoice finance remained outstanding which was repaid in full by March 2021 (2019: £1.2 million). The balance outstanding on the term loans and HP contracts at the year end totalled £0.3 million (2019: £0.6 million). The remaining loans and HP contracts totalling £0.3 million were repaid in full in April 2021.

Working capital decreased by £2.3 million in the year, to £25.4 million. The main components were a decrease in inventory of £1.8 million, a decrease in trade and other receivables of £0.2 million, an increase in cash at the year end of £2.1 million, and an increase in trade and other payables of £0.6 million.

Free cash flow remained strong at £6.6 million (2019: £4.1 million).

The Group's balance sheet remains in a very healthy position. Net assets totalled £37.4 million at 31 December 2020, a decrease of £2.4 million from 2019. The majority of the balance sheet is made up of liquid assets of inventory, trade receivables and cash. Included in the balance sheet is £7.3 million of goodwill (2019: £7.3 million) and £4.7 million of intangible fixed assets (2019: £7.1 million) arising from acquisition accounting. As at the year end cash totalled £4.9 million (31 December 2019: £2.7 million).



The balance sheet also includes £3.8 million of right-of-use assets. £3.5 million is the inclusion of the Group leasehold properties, now recognised as right-of-use assets as directed by IFRS 16. An equivalent lease liability is included of £3.7 million at the balance sheet date.

Foreign Exchange

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

We started 2020 with options in place for the purchase of US\$15 million @ US\$1.3142, this allowed us to purchase goods in the first half of the year at contracted dollar rates well above the spot rate which at one time fell as low as \$1.1492.

Around the time of Brexit being finalised in 2020 when currency rates were favourable, we purchased 42 foreign exchange options which were outstanding at 31 December 2020 (31 December 2019: 33). In total at 31 December 2020 options were in place for the purchase of US\$18 million at US\$1.3260, and the sale of £5.1 million @ £1.1077 (31 December 2019: \$15 million @ \$1.3142, and £4.4 million @ £1.1402).

The Group has a natural hedge from sales to the US which are entirely in US dollars, in 2020 these sales were \$2.74 million (2019: \$6.32 million). Together with the discount mechanism available from one of our main suppliers in China, sourcing product from new factories where it makes commercial sense to do so and by buying dollars when rates are favourable, we are able to mitigate the effect of a strong US dollar against sterling.

Section 172(1) Statement

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

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

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

Further information on how the directors have had regard to the Section.172(1) Matters can be found on pages 36 to 37. This information forms part of the strategic report and has been approved for issue by the board on 27 April 2021.

Neil Rodol

Chief Financial Officer
27 April 2021

Risk Management

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

Currency / Foreign Exchange ("FX")

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

Reliance on Key Suppliers

In 2020 one key supplier from China was responsible for approximately 19% (2019: 15%) of the Group's brand ranges of colour cosmetics. If there were some catastrophic event that reduced or stopped the supply from this key supplier then the directors are able to place orders with other existing suppliers. However, this would take several months

to implement and such an event would therefore have a material adverse effect on the Group's financial position, results of operations and future prospects. Management retain close relations with suppliers with relatively short lead times, and the Group typically holds four to six months of stock at any one time, nevertheless the sourcing of new suppliers in a wider geographic location is ongoing.

The vast majority of the Group's colour cosmetics are manufactured in China. Currently there is a possibility that global tensions between countries in the region could lead to a trade war, new tariffs or price increases. The identification of new low priced, but high quality, suppliers in other geographic locations remains under review on an ongoing basis. Any increased costs or duty would be passed on to the consumer where possible.

Our supply base in China was temporarily affected by the Covid-19 virus at the start of 2020 with all our suppliers closed for a month. Whilst causing some initial delays to deliveries normal operating levels were soon resumed and there was no material impact on our inventory levels.

Product Liability

All products are manufactured in facilities approved by relevant authorities. The ingredients in each product are compliant with and meet the relevant standards required by the markets to which the products will be sold into. There is however always the risk that an end user could have an allergic or other reaction to an individual product leading to the possibility of compensation

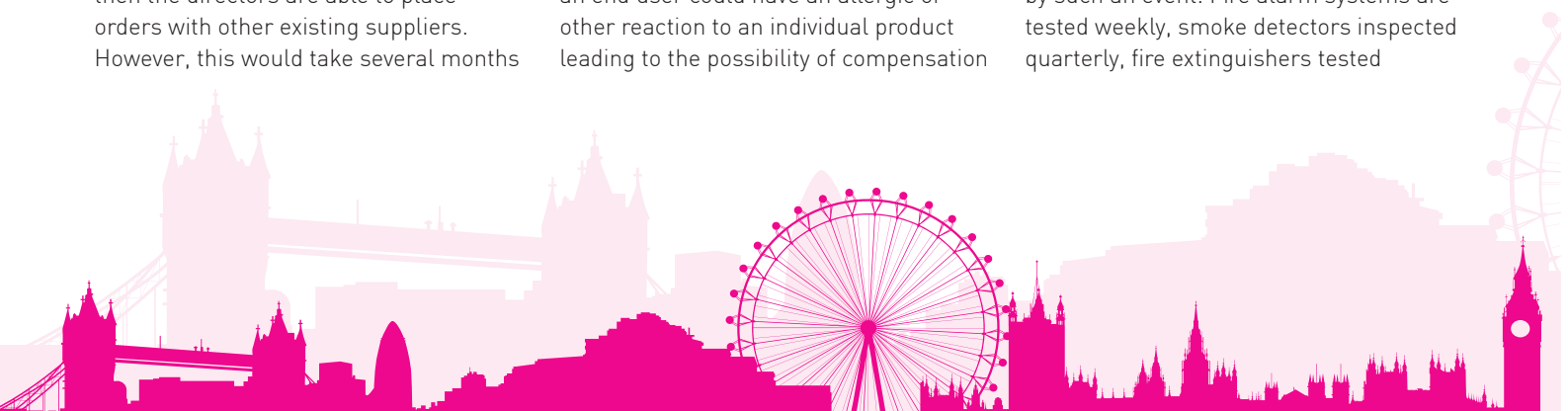
claims and potentially damaging the good reputation of the Group's brands. The directors have every colour cosmetic ingredient independently checked by a qualified chemist for compliance with UK, EU and when necessary and any other relevant legislation, including in the USA, and maintain adequate product and public liability insurance so as to ensure that any claims have little impact on the Group's profitability.

Significant Customers

The Group has one customer in Denmark with over 240 stores across Denmark, Norway, Sweden, Holland and France. In 2020 this customer represented 9.7% (2019: 7.7%) of own brand and close-out revenues, we currently have an excellent working relationship with this customer. Significant goodwill in our own brands has been built up by this customer. The directors believe that, should the customer decide not to sell our brands, a large amount (if not all) of the existing business will be taken up by other retailers in Denmark, Norway, Sweden, Holland and France.

Location

The Group has the majority of its operations and assets split across two locations in Iver and Silsden in the UK; if a fire were to befall either of the premises occupied by the Group, a significant amount of assets might be destroyed or damaged and – although the Group has insurance cover in place – the Group's business, financial results and prospects might be negatively affected by such an event. Fire alarm systems are tested weekly, smoke detectors inspected quarterly, fire extinguishers tested



annually, and trained fire marshals are onsite. Staff have regular fire drills and fire risk assessments are carried out to ensure compliance with fire regulations.

Brexit

In December 2020 Brexit was finalised. From 1 January 2021 new terms of trading with our EU customers have been in place using internationally recognised INCO terms. There is now an extra layer of cross border compliance and paperwork required which we are well prepared for having taken expert advice from customs experts and shippers. We have made good use since the start of 2021 of our wholly owned subsidiary Warpaint Cosmetics (ROI) Limited in the Republic of Ireland specifically to help protect us against any UK/EU cross-border disruption, and to serve our European customers from a Euro Hub in order to provide an alternative supply route. The Group is closely watching developments in the movement of goods within the EU and adapting its strategy as the full effect of Brexit becomes clearer.

Cyber Attacks

There is an increasing risk that cybercrime will cause business interruption, loss of key systems, loss of online sales, theft of data or damage to reputation. The Group regularly review and invest in the development and maintenance of our IT infrastructure, systems and security. We have in place disaster recovery and business continuity plans that are tested annually.

Covid-19 Pandemic

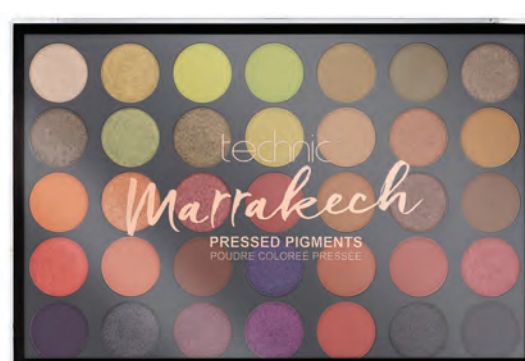
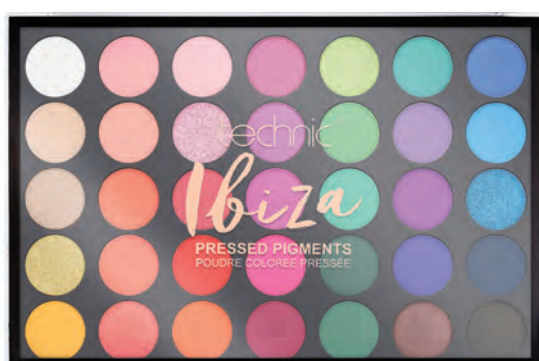
Covid-19 or another similar virus pandemic will cause major disruption to the business. Staff will be absent either through illness or from isolation measures, the business strategy will be affected, delayed and perhaps will require reassessment, capital markets and foreign exchange markets will become volatile, and the supply chain and our customer base may temporarily close down. In a pandemic situation we will follow Government guidelines and enable staff to work remotely where possible, until such time that they can return to work with new workplace safety measures in place, we will explore and

examine liquidity continuity measures and implement business continuity plans. The business protects against foreign exchange and credit risk through various financial instruments such as the forward purchase of foreign exchange and credit insurance of certain customer receivable balances, particularly those deemed higher risk. Our initial response to Covid-19 was to enhance our review of risks facing the group and focus on cash spend and ensure there was sufficient cash resource to secure the long term finances of the Group. A committee made up of the Chief Executive Officer, the managing director of Retra and Keith Sadler, a non-executive director has been formed to formulate and implement a Group wide response in the event of a further pandemic or other similar disruptive event.

This Strategic Report was approved by the board on 27 April 2021 and signed on its behalf.

Neil Rodol

Chief Financial Officer
27 April 2021



Members of the Board



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



Board of Directors



Clive Garston (76), Non-Executive Chairman (Insider Committee (Chair), Remuneration Committee, Audit Committee)

Clive has been Non-Executive Chairman of the Group since November 2016. He has been a corporate lawyer for over 40 years specialising in corporate finance and mergers and acquisitions, and 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.



Sam Bazini (58), Chief Executive Officer (Insider Committee)

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



Eoin Macleod (58), Managing Director

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



Neil Rodol (58), Chief Financial Officer (Insider Committee)

Neil joined the Group in August 2015, having previously been an adviser to the business for several years. He has overseen the introduction of new systems and procedures. He joined the board as Chief Financial Officer in November 2016. Over the last 21 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.



Sally Craig (60), Group Counsel & Company Secretary

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

Board of Directors (continued)



Paul Hagon (57), Executive Director

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



Keith Sadler (62), Non-Executive Director (Audit Committee (Chair), Remuneration Committee (Chair))

Keith joined the Group as a Non-Executive Director in November 2016. He is also a non-executive director of Hawkwing plc (formerly TLA Worldwide plc, a global sports management and events business and now a cash shell listed on AIM), for which he chairs the audit committee. He is a non-executive director of HR Dept. Limited, a professional services business, and Silver Bullet Data Services Group Ltd, a contextual data management marketing organisation. Historically, Keith has been CEO or CFO of a number of quoted companies in the marketing services, telecoms and media industries. Keith is a chartered accountant and holds an honours degree in economics from the University of Kent.



Corporate Governance Report

Chairman's Introduction

I am pleased to introduce the Corporate Governance Report for the year ended 31 December 2020. As an AIM quoted company, we recognise the importance of sound corporate governance in supporting and delivering the strategy of the Company and its subsidiaries (together the "Group"). This involves managing the Group in an efficient manner for the benefit of its shareholders and other stakeholders whilst maintaining a corporate culture which is consistent with our values. The Company adopted the QCA Corporate Governance Code ("QCA Code") on 25 September 2018. The Company's Corporate Governance Statement is available to view on the Company's website at www.warpaintlondon.com

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

their investment and that the Company is managed for the long-term benefit of all shareholders and other stakeholders. Appropriate Corporate Governance procedures will ensure that that is the case and reduce the risk of failure.

This section of the Report from pages 23 to 46 sets out our approach to governance and provides further information on the operation of the board and its committees and how the Group seeks to comply with the ten principles of the QCA Code. The instances where we do not comply are few and explanations for non-compliance are provided in the report below.

Clive Garston

Chairman
27 April 2021

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

Business Overview

The Company is a producer and supplier of colour cosmetics. We are extremely creative and design-focused, aiming to provide our customers with an extensive range of high quality cosmetics at an affordable price. The Group is made up of two divisions.

The largest division sells own brand cosmetics under the lead brand names of W7 and Technic. W7 is sold in the UK primarily to retailers and internationally to local distributors or retail chains. The Technic brand is sold in the UK and continental Europe with a significant focus on the gifting market, principally to high street retailers and supermarkets. In addition, this division supplies own brand white label cosmetics produced for several

major high street retailers. The Group also sells cosmetics using our other own brand names of Man'stuff, Body Collection, Vintage, Very Vegan, and Chit Chat.

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

Strategy

In early 2018, the Board adopted a three-year strategic plan for the business. This is measured, monitored and reviewed annually and reset using market insight and trend information in line with the budget process, and was updated by the board in 2021 with a view to it forming the basis of the Group's development through to the end of 2024. The plan is designed to drive shareholder value and has defined targets for sales, EBITDA, earnings per share and cash generation, with a particular emphasis on driving incremental EBITDA growth. The strategic plan is also outlined in the Strategic Report on page 10 and comprises six key pillars:

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

The Group continues to review, evaluate and develop the Group's portfolio of brands to ensure there is a clear brand hierarchy; a clear proposition by brand; non-core brands and product stock are eliminated; and that the Group delivers new product development and gifting sets that meet customer needs.

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

A major objective of the business is to continue to develop and grow the

Corporate Governance Report (continued)

presence of the Warpaint brands beyond their existing worldwide customer base. There is still however, significant potential to be realised in the current customer base and the Group is committed to ensuring this potential is maximised. The Group is focused on ensuring there is a clarity of product offering to each customer segment and to supporting its customers with relevant new products; by using appropriate marketing to draw consumers into customer stores; and by cross selling the Group's brands where appropriate.

- **Grow Market Share in the UK**

The business continues to focus on increasing the presence of the Group's brands in channels that our consumers shop in, to increase accessibility and drive profitable market share growth. As a result of this strategy, the Group has successfully launched the W7 brand into Tesco and the Technic brand into wilko. It continues to have active discussions with other major retailers who are currently in channels that the Group is yet to materially supply to and expanding the UK customer base is a key focus of management. This is particularly opportune as retailers across all sectors are increasingly looking to provide quality products to their customers at affordable prices.

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

The USA and China continue to provide a major growth opportunity for the Group. In the USA, the Group continues to investigate the optimal route to market through established

agency channels and/or direct to retailers, and is establishing a core product range for the USA with minimum margin requirements. In China the Group conducts business locally through its Chinese subsidiary Company. We are also continuing to register products for sale in China in order to grow our total offering and increase sales. This has led to the development of relationships with distributors in the region who have the capability to drive sales of the W7 brand there.

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

The Group aims to grow its profitable sales across the Group's online sales channels, ensuring the process is optimised and efficient. The Group continues to develop and build its brands by utilising brand ambassadors, influencers and make-up artists to engage actively with its target audience. The Group wants to ensure that consumers are adequately inspired and educated on how the Group's products can be used to experiment and achieve different looks. The Group has launched a loyalty programme that creates a W7 community of customers to drive sales conversion on the Company's website. The aim of these activities is to create an interactive community of consumers and drive recommendation. Developing the social media strategy also directly impacts the Groups online sales strategy. As an example, 45% of W7's target customers are buying cosmetics online.

- **Develop the appropriate organisational structure, people strategy and organisational efficiency**

The Company continues to review the businesses' structures, resources and capabilities with the objective of delivering the strategic plan, communicating the plan to ensure that all employees are engaged, and rewarding employees suitably for doing a good job.

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

The Company remains committed to communicating openly with all of our shareholders, both private and institutional. This enables the Company to ensure that its strategy, business model and performance are clearly understood. It also enables the Company to appreciate the needs and expectations of shareholders and respond to queries promptly and comprehensively. As previously announced, the board did not recommend a final dividend for 2019, due to the uncertainty surrounding Covid-19 and the decision to preserve cash in the business. However, dividend payments were resumed at the interim stage in 2020 with payment of an interim dividend, together with a one off additional dividend per share, to reflect that no final dividend was declared for 2019. In accordance with the Group's policy to pay appropriate dividends, the board is recommending a final dividend for 2020.

All individual investor queries should be addressed to the Company Secretary at: investors@warpaintlondonplc.com



Private Investors

The board recognises that the Annual General Meeting (AGM) is an important opportunity to meet private shareholders. Each substantially separate issue is the subject of a separate resolution at the AGM and all shareholders have the opportunity to put questions to the board. All board directors endeavour to attend AGMs and answer questions put to them which may be relevant to their responsibilities. In addition, the directors are available to listen informally to the views of shareholders immediately following the AGM. In the light of the public health restrictions associated with Covid-19, this was not possible for the 2020 AGM. It will remain under review for the 2021 AGM which will be held in line with best practice and government guidelines.

For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are published on the Company's corporate website.

Institutional Shareholders

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

investor principles where practicable. The board responds to and will take account wherever possible of recommendations made by proxy adviser companies.

The Covid-19 pandemic largely prevented face to face communication during 2020 but this was maintained virtually through the year wherever possible with both private and institutional shareholders.

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

The key stakeholders for the Group are customers, distributors, suppliers, employees, shareholders and the community in which we live. Whilst interactions take place at all levels of the Group, the directors are aware of the importance of the relationships with key stakeholders and feedback is utilised wherever possible to sustain these relationships in order to drive the long term success of the business. Face to face communications were largely curtailed in 2020 due to Covid-19, and many interactions with our stakeholders have taken place virtually. This has not only maintained, but in many instances enhanced our relationships with several of our key stakeholders and will be continued for the foreseeable future, irrespective of the restoration of face to face interaction.

Business relationships with the following stakeholders are described below. The effect of any such engagement on key decisions in the financial year to 31 December 2020 are set out below and detailed on pages 44 to 46.

Customers

Feedback with trade customers is initially directed through dedicated account managers followed by engagement with our administration teams. For end user customers feedback is garnered through the peer to peer review site Yotpo, and social media such as Facebook, Twitter, Instagram and Pinterest. The Group's consumer customers frequently contact the Company by writing, by email, direct calls to the head office and through the website www.w7makeup.co.uk where they are also able to leave comments. We endeavour to respond to all customers who contact us in a swift and efficient manner typically by email or direct calls with all responses followed up to seek to achieve a positive outcome. During 2020 we have sought to support our trade customers wherever possible throughout the Covid-19 lockdowns. Trends in the cosmetic business are dynamic and swift reaction to feedback is also vital in introducing new products and updating our product range.

Distributors

We seek to strengthen our relationships with our distributors to garner feedback and provide support with regular meetings, attendance at trade shows (which, during 2020 have been largely virtual) and by maintaining close contact with them through our sales representatives. During 2020, we have maintained our relationships with our distributors and supported them wherever possible. Our distributors provide feedback on product suitability including in regions of the world such as the Middle East where there may be cultural sensitivities in the product

Corporate Governance Report (continued)

packaging and branding. Different regions may also call for particular colour mixes and shades and such feedback enables us to optimise and tailor products in these regions. The aim is to align the interests of the distributor with those of the Group.

- **Suppliers**

Suppliers are visited at least annually and regular contact maintained at other times through trade shows, meetings and other close communications, which during 2020 have been largely virtual. The Group's principal suppliers are made to feel part of the organisation with an open and honest dialogue encouraged so that feedback can be communicated and a rapid response provided. The Group has an office in Hong Kong enabling more frequent visits and enhanced supplier contact. A strong relationship with the Group's suppliers is vital to the long term success of the Company.

- **Employees**

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

Where practicable, consideration is given to flexible working and this was increasingly important during 2020 to minimise the impact on our employees of the Covid-19 pandemic and lockdowns. Flexibility was offered wherever possible, with help with working from home and flexible working where practicable for mothers and fathers home schooling. All employees received 100% of their salaries when furloughed and safe working conditions were implemented. As always, the well-being of our staff is paramount and particularly so during the current climate.

- **Shareholders**

The means of engagement with shareholders is detailed in Principle 2 above.

- **Community**

Wherever possible we employ staff from the local area and encourage the use of car sharing and public transport to reduce the impact on local roads. We manage the times of our incoming and outgoing deliveries in order to limit any disturbance to residents in the local area. As a rule, we use local trade's people for goods and services creating employment and income within the area. We often support local charities, including South Bucks Hospice and provide donations of our products for local school fairs and fetes, these requests coming via our local suppliers.

- **Environment**

The Group is focused on the environmental impact of its products and has removed all plastics from the outer packaging of its gifting and all year-round products, and has virtually eliminated the use of single use packaging in its products completely.

The Group's product packaging therefore uses paper and cardboard wherever practicable, which enables the Group, the wholesaler and end user to recycle the waste effectively. This means that the business consumes considerable amounts of paper and cardboard, and the Group utilises a regular recycling collection service. This programme will be extended to utilise sustainable or recycled packaging where feasible, and the Group aims to be a market leader in this area. In terms of the Group's product casings, the use of plastic is sometimes practically unavoidable but recyclable packaging is used wherever possible.

All new W7 brand products are being manufactured without parabens and the Company is reformulating existing products where feasible. The Group aims to be paraben free for W7 in the next 24 to 36 months and Technic/Badgequo products are already paraben free.

The environmental goals described above are embedded in the Group's long term strategy.

The Covid-19 pandemic necessarily resulted in a reduction of travel within the Group, with business being conducted with customers and others virtually, where practicable. This has had a positive impact on the Group with business and trading relationships improving as a result. Hence, travel, and particularly air travel, will be restricted in future with customer, supplier, management and employee meetings being held virtually where feasible. This will not detract from the need to hold face to face meetings where this is conducive to a more productive relationship.

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

The Company is exposed to a variety of risks that can have financial, operational and regulatory impacts on 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.

Internal Control and Risk Management

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

The assessment and management of risk is primarily the function of the executive officers, most specifically the Chief Executive Officer for strategic and business risk and the Chief Financial Officer for financial risk. The Group maintains a formal risk register which is reviewed periodically and, where appropriate, matters of risk are referred to the board for consideration. The principal risks identified by the board are set out in the Strategic Report on pages 20 to 21.

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

Composition, Role and Responsibilities

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

The board currently comprises of the Chairman, Clive Garston one non-executive director, Keith Sadler, and five executive directors, Sam Bazini, Eoin Macleod, Neil Rodol, Paul Hagon and Sally Craig, who is also the Company Secretary.

From 1 January 2020 the positions of the two joint Chief Executives were split, Sam Bazini remained as Chief Executive Officer and Eoin Macleod was appointed to the newly created position of Managing Director, reflecting his more operational focus.

There were no changes to the responsibilities of the non-executive directors during the year to 31 December 2020. However, as announced by the Company on 6 February 2020, Ward & Hagon Management Consulting LLP ("Ward & Hagon") was appointed to provide additional strategic resource and to assist the Company in implementing its strategic growth plans. Paul Hagon, then a non-executive director, is a partner of Ward & Hagon and as part of the Ward & Hagon appointment, he fulfilled the role of Interim Strategy and Business Development Director, a non-board role for an initial period of one

year. During that period, he remained a non-executive member of the board, but was not independent. On 17 November 2020, the Company announced its intention to renew the contract with Ward & Hagon for a further 12 months. As a result of this, Paul Hagon would no longer be a non-executive director and his position changed to that of an executive director with effect from 1 January 2021, the effective date of the renewal of the Ward & Hagon contract. Although the UK Corporate Governance Code 2018 does not apply to the Company, under this code the Chairman would not be deemed independent and the board has therefore decided that only the non-executive director, Keith Sadler, is presently independent. No single director is dominant in the decision-making process.

The Company has commenced a search for an additional independent non-executive director and hopes to make this appointment in the first half of 2021. Subject to this, the board considers its composition to be appropriate at this stage of the Company's development, but this remains constantly under review as the Group grows in size. At this stage in the Company's development the board does not consider that having a senior independent director is appropriate, but this will also remain under review.

Board Operation

There is a formal schedule of matters reserved to the board for its decision. These include formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions, and reporting to the shareholders.

Corporate Governance Report (continued)

The board aims to meet ten times each year for regular board meetings, which are scheduled prior to the commencement of each financial year. These meetings are scheduled to coincide with the announcement of the Company's annual and half yearly accounts and throughout the remainder of the year at regular monthly intervals. These are supplemented by additional meetings where required for business including informal business reviews, to review budgets and focus on strategy. Dialogue occurs regularly between directors outside of scheduled meetings.

A formal agenda is produced for each meeting and for in person board meetings which includes the review and approval of minutes recorded, matters arising, a review of material operational matters relating to Group's businesses and other special items for discussion or consideration. Board papers are circulated to board and committee members in advance to allow directors adequate time for consideration. Any specific actions arising from such meetings are agreed by the board or relevant committee, circulated after the relevant meeting by the Company Secretary and then followed up by the Company's management.

Board Meetings

The board met 16 times during the financial year ended 31 December 2020, with two in person board meetings and 14 virtual board meetings. 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 with at least one meeting on the premises of its subsidiary Retra, providing the board an opportunity to meet with its senior management and be involved with the business of the wider Group. The on-site Retra board meeting did not take place in 2020, primarily due to the Covid-19 restrictions. In addition, the board held a focused, dedicated meeting on strategy on 27 January 2020 and intends to schedule similar meetings annually. The strategy meeting for 2021, was held on 8 February 2021.

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

Board and Committee Meeting attendance for the year ended 31 December 2020

The following table shows directors' attendance at all board and committee meetings during the year.

	Board	Audit	Remuneration	Insider
Clive Garston	16/16	2/2	2/2	1/1
Sam Bazini	16/16	n/a	n/a	1/1
Eoin Macleod	16/16	n/a	n/a	n/a
Neil Rodol	16/16	n/a	n/a	1/1
Sally Craig	16/16	n/a	n/a	n/a
Paul Hagon	16/16	2/2	1/2	n/a
Keith Sadler	16/16	2/2	2/2	n/a

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

Board Rotation

The Articles of Association of the Company (the "Articles") require that one-third of the directors must stand for re-election by shareholders annually in rotation and that any new directors appointed during the year must stand for re-election at the AGM immediately following their appointment. Directors are required to seek re-election once every three years.



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

The board retains a range of financial, commercial and entrepreneurial experience and there is a good balance of skills, independence, diversity and knowledge of both the Company and the sectors in which it operates including cosmetics, retailing, finance and computing, innovation, international trading, e-commerce, marketing and public markets. The non-executive director has been appointed on merit and for his specific areas of expertise and knowledge. This enables him to bring independent judgement on issues of strategy and performance and to debate matters constructively. The appointment of an additional non-executive director will be made upon the same grounds.

The biographies of each of the directors, including the committees on which they serve and chair, are shown on pages 23 to 24.

The skills brought to the board are as follows:

Clive Garston (Chairman)

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

Sam Bazini (Chief Executive Officer)

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

Eoin Macleod (Managing Director)

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

Neil Rodol (Chief Finance Officer)

Financial skills, industry and public company experience

Sally Craig (General Counsel & Company Secretary)

Legal, company secretarial and public company experience

Paul Hagon (Executive Director)

Retail and wholesale business experience and strategic planning

Keith Sadler (Non-Executive Director)

Financial skills, communications and public company experience

Directors attend seminars and other regulatory and trade events where appropriate to ensure that their knowledge and industry sector contacts remain current.

External and Internal Advice

The board seeks external advice from time to time to enable it to effectively perform its duties including from its lawyers, accountants, nominated adviser and corporate broker, financial PR advisers and insurance brokers. During the financial year ended 31 December 2020, advice was provided by BDO LLP in connection with the introduction in May 2020, of the Warpaint London plc Company Share Option Plan.

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

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

The Group's performance is reported monthly against headline performance and agreed budgets and reviewed by the

board (as a minimum) at each monthly board meeting. The board challenges the executive directors and senior management on performance against budgets, forecasts and key business milestones. The board have adopted a set of KPI's against which the performance of the Company and therefore the board, can be measured.

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

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

The board maintains a corporate culture consistent with the Group's strategic objectives which aims to promote an ethical and responsible business.

The corporate culture is monitored by the Chief Executive Officer who appraises the board of any issues arising. The culture is implemented through a number of policies on Anti-Bribery, Whistleblowing and Modern Slavery. These policies, along with the Group's approach to employees and equal opportunities, the environment, product testing, manufacture and

Corporate Governance Report (continued)

materials and charitable causes are regularly reviewed, and are described below:

- **Anti-Bribery**

The Group has in place an anti-bribery and anti-corruption policy which sets out its zero-tolerance position and provides information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues. During the period, there were no incidents for consideration.

- **Whistleblowing**

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

- **Modern Slavery and Human Trafficking**

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

- **Employees and Equal Opportunities**

The well-being of our staff is paramount and particularly so during 2020 where it was vital to minimise the impact on our employees of the Covid-19 pandemic and lockdowns. All employees received 100% of their salaries when furloughed and safe working conditions were implemented. Where practicable, assistance is given to flexible working and this was increasingly important in 2020. Flexibility was offered wherever possible, with help with working from home and flexible working where practicable for mothers and fathers home schooling.

The Group has an extremely loyal work force with a low staff churn rate, promoting from within, offering staff mobility from the warehouse floor to administrative roles and managerial positions. A reward structure is in place, which includes the grant of share options, enabling members of staff to participate in the growth of the Company, as appropriate.

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

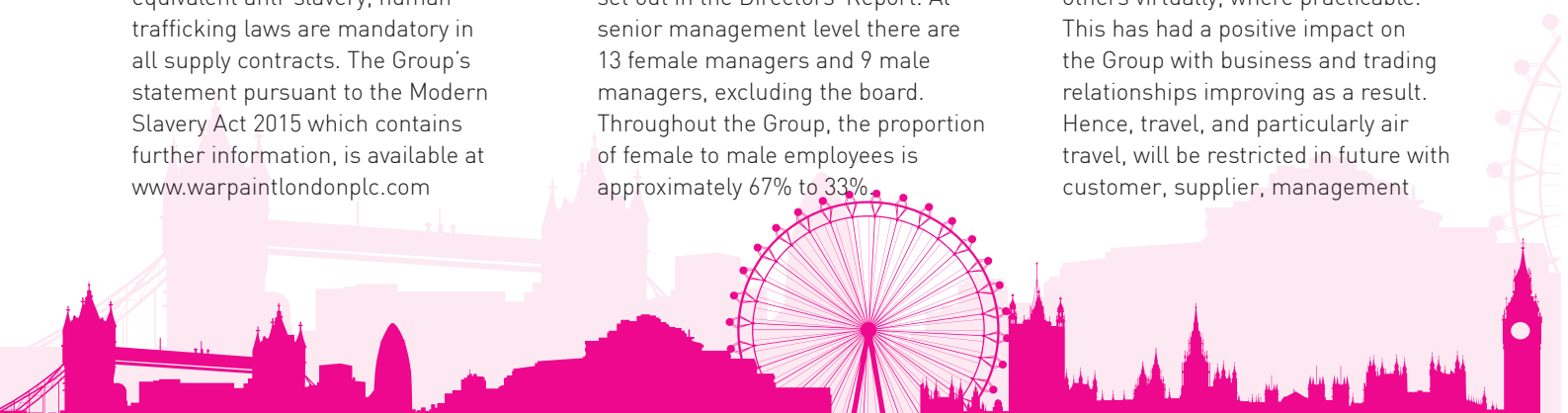
The Group's employment policy is set out in the Directors' Report. At senior management level there are 13 female managers and 9 male managers, excluding the board. Throughout the Group, the proportion of female to male employees is approximately 67% to 33%.

- **Environment**

The Group is focused on the environmental impact of its products and has removed all plastics from the outer packaging of its gifting and all year-round products, and has virtually eliminated the use of single use packaging in its products completely. The Group's product packaging therefore uses paper and cardboard wherever practicable, which enables the Group, the wholesaler and end user to recycle the waste effectively. This means that the business consumes considerable amounts of paper and cardboard, and the Group utilises a regular recycling collection service. This programme will be extended to utilise sustainable or recycled packaging where feasible, and the Group aims to be a market leader in this area. In terms of the Group's product casings, the use of plastic is sometimes practically unavoidable but recyclable packaging is used wherever possible.

All new W7 brand products are being manufactured without parabens and the Company is reformulating existing products where feasible. The Group aims to be paraben free for W7 in the next 24 to 36 months and Technic/Badgequo products are already paraben free.

The Covid-19 pandemic necessarily resulted in a reduction of travel within the Group, with business being conducted with customers and others virtually, where practicable. This has had a positive impact on the Group with business and trading relationships improving as a result. Hence, travel, and particularly air travel, will be restricted in future with customer, supplier, management



and employee meetings being held virtually where feasible. This will not detract from the need to hold face to face meetings where this is conducive to a more productive relationship.

- **Product Testing, Manufacture and Materials**

The Group does not test any of its cosmetic products on animals and animal testing of cosmetics has been banned in Europe since 2013. The board is aware that in other parts of the world there is still a requirement to test on animals. Wherever and whenever the Group comes across this requirement and are given no choice, it withdraws from sales activity in the territory concerned. The board is keen for cruelty free alternatives to animal testing to become compulsory and animal testing overall to be ceased globally.

Suppliers provide Good Manufacturing Practice certificates for all of the factories used in the manufacture of the Group's goods. The Group's main suppliers also produce for worldwide brands, and comfort is taken from the public ethical and sustainability stance around the world of these brands. The Group's suppliers are encouraged to share with the Group the results of their BSCI and Sedex audits when they have taken place.

Heavy metals such as TBTO (preservative) and other ingredients of concern are not added to the Group's colour cosmetic products and we ensure all raw materials comply with the strict regulations applicable in the EU, USA and Canada.

- **Charitable Causes**

Along with local charities and events, the Company supports a number of national charities. We invite our employees to choose charities and events that are close to their hearts and we collaborate with them. These events are often put out on our social media and are linked to the charity to raise their profile. In 2020 the number of charity events available to support was fewer than in previous years, but the Group supported several local charities and Save The Children - Christmas Jumper Day, nationally. A number of Retra employees will be participating in the Yorkshire Marathon in the coming year, raising funds for a local hospice.

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

The Group's governance structures have been reviewed in the light of the QCA Code. The board believes them to be in accordance with best practice as adapted to best comply with the Group's circumstances and stage of development.

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

The board is responsible for the long-term success of the Company. There is a formal schedule of matters

reserved to the board for its decision.

These include formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions, and reporting to the shareholders.

The board aims to meet ten times each year for regular board meetings, which are scheduled prior to the commencement of each financial year. These meetings are scheduled to coincide with the announcement of the Company's annual and half yearly accounts and throughout the remainder of the year at regular monthly intervals. These are supplemented by additional meetings where required for business including informal business reviews, to review budgets and focus on strategy. Dialogue occurs regularly between directors outside of scheduled meetings.

A formal agenda is produced for each meeting and for in person board meetings which includes the review and approval of minutes recorded, matters arising, a review of material operational matters relating to Group's businesses and other special items for discussion or consideration. Board papers are circulated to board and committee members in advance to allow directors adequate time for consideration. Any specific actions arising from such meetings are agreed by the board or relevant Committee, circulated after the relevant meeting by the Company Secretary and then followed up by the Company's management.

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

Corporate Governance Report (continued)

The business reports monthly on its headline performance against its agreed budget, and the board reviews the monthly update on performance and any significant variances are reviewed at each scheduled meeting. The board challenges the executive directors and senior management on performance against budgets, forecasts and key business milestones. Monthly updates on performance are reviewed at each formal board meeting. The board have adopted a set of KPI's against which the performance of the Company and therefore the board, can be measured.

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

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

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

performance in fulfilment of that strategy, as well as plans and budgets to be approved by the board of directors.

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

Audit, Remuneration and Insider Committees

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

The Audit Committee and the Remuneration Committee each comprises two non-executive directors: Keith Sadler (Chair) and Clive Garston. During the year ended 31 December 2020, Paul Hagon was a member of both committees but stepped down as Chairman of the Remuneration Committee. He subsequently ceased to be a member of these committees on becoming an executive director with effect from 1 January 2021. The new non-executive director, proposed to be appointed will become a member of both the Audit Committee and the Remuneration Committee. The Insider Committee comprises one non-executive director and two executive directors: Clive Garston (Chair), Sam Bazini and Neil Rodol.

During the financial year ended 31 December 2020, the Audit Committee met twice, the Remuneration Committee twice and the Insider Committee met once. From time to time separate committees

are set up by the board to consider specific issues when the need arises.

Due to the size of the Group, the directors have decided that issues concerning the nomination of directors will be dealt with by the board rather than a committee, but will regularly reconsider whether a Nominations Committee is required. In November 2020 the board formed an ad hoc nomination subcommittee comprising of Keith Sadler (Chair), Sam Bazini and Clive Garston, to identify and make a recommendation to the board for a candidate for a new non-executive director.

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

The Company's principal means of communication with shareholders is through the Annual Report and Financial Statements, the full-year and half-year announcements and the AGM.

The board recognises that the AGM is an important opportunity to meet private shareholders. Each substantially separate issue is the subject of a separate resolution at the AGM and all shareholders have the opportunity to put questions to the board. All board directors endeavour to attend AGMs and answer questions put to them which may be relevant to their responsibilities. In addition, the directors are available to listen informally to the views of shareholders immediately following the AGM. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are published on the Company's corporate website. In the light of the public health restrictions associated with Covid-19, this was not be possible for the 2020

AGM. This will remain under review for the 2021 AGM which will be held in line with best practice and government guidelines.

The board receives regular updates on the views of shareholders through briefings and reports from the executive directors, the Company's brokers and PR advisers. The Chief Executive Officer, the Managing Director and the Chief Financial Officer make presentations to institutional shareholders and participate in Investor Road Shows both following the announcement of the full-year and half-year results and, at other times throughout the year. Not every executive officer participates in every investor presentation. The Chairman will participate in these presentations in future where appropriate and is always available to speak with shareholders.

Dialogue with individual institutional shareholders also takes place in order to understand and work with these investors to seek to comply with their investor principles where practicable.

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

The Company's means of communicating with its other stakeholders are set out on pages 27 and 28.

The Reports of the Audit Committee and the Remuneration Committee can be found on pages 38 and 40 and describe the responsibilities of those committees and the work undertaken throughout the year.



Section 172 Statement

Section 172 Companies Act 2006

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

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

The board always takes decisions for the long term, and collectively and individually aims to uphold the highest standards of conduct. Similarly, the board understands that the Company

can only prosper over the long term if it understands and respects the views and needs of its customers, distributors, employees, suppliers and the wider community in which it operates. A firm understanding of investor needs is also vital to the Company's success along with a sustainable and environmentally responsible culture.

The directors are fully aware of their responsibilities to promote the success of the Company in accordance with Section 172 of the Companies Act 2006. An in-depth review of these responsibilities and how the Company engages with its stakeholders was considered at the Company's board meeting on 3 April 2020. The text of Section 172 of the Companies Act 2006 has subsequently been set out by the General Counsel & Company Secretary on each main board agenda by way of a reminder.

Relations with shareholders are detailed on pages 26 and 27, and 34 and 35. Relations with other key stakeholders such as employees, distributors, customers and suppliers are considered in more detail on pages 44 and 46.

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

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



Key board decisions taken during the year ended 31 December 2020, all of which have long term implications for the ultimate success of the Company, and the Section 172 and stakeholder considerations are set out below.

Key Board Decision	Section 172 and Stakeholder Consideration
Review in January 2020 of the Group's three-year Strategic Plan and the update of KPIs	This is aimed at optimising and promoting the success of the Company in the long term, whilst providing measures for success, both vital for the benefit of members and stakeholders
In order to minimise the impact of Covid-19 and support the Group's employees, the determination that all employees should receive 100% of their salaries when furloughed. Safe working conditions for employees and colleagues were implemented throughout to safeguard their safety and wellbeing and flexible working arrangements were offered where practicable, to support staff in the changes to family arrangements such as home schooling.	Together, these actions and decisions were aimed at protecting employees and supporting them through the uncertainty of Covid-19.
The accelerated development of the online business to support sales whilst "bricks and mortar" stores were in lockdown due to Covid-19, and the drive of sales in retail outlets, including Tesco and wilko, which remained open throughout lockdowns.	These actions were important to optimise and develop the Group's business during the uncertain period of the Covid-19 lockdowns, preserving and enhancing the Group's business whilst driving the Group's strategic plan for the benefit of members.
Strong engagement with customers, suppliers and colleagues was maintained via virtual means to ensure that these relationships were not only unaffected but, in many cases, thrived through the Covid-19 pandemic	For customers and suppliers, it was important to sustain these important relationships, maintaining and enhancing the Company's high standards of business conduct and to support the Group's employees through the uncertainty of Covid 19.
The decision to extend credit terms and payment plans with certain customers during the year, whilst closely monitoring these situations to manage the risk to the business	This enabled the Company to assist customers who were impacted by the Covid-19 restrictions and thereby maintaining good business conduct and supporting these customers. This decision was carefully managed to ensure that any risk to the business was minimised.
The implementation of the Warpaint London plc Company Share Option Plan in May 2020 and the grant of options thereunder to Group employees	This was implemented to incentivise the Group's employees, rewarding their loyalty and success, whilst also contributing to the growth of the business and thereby enhancing shareholder value over the long term.
The drive to ensure that the Retra Gift offering for 2021 will be the first range to be as plastic free as possible. Implementation of plans for products to be paraben free ahead of the legally required date. The decision to restrict travel (particularly air travel) in future and to conduct business virtually where practicable.	To reduce the impact of the Company's operations on the environment.
The decision to declare an interim dividend in September to continue with the Company's declared dividend policy and an enhanced interim dividend to take account of the Company's financial position and given that the final 2019 dividend was cancelled.	To reward all shareholders whilst protecting the long-term value of the Company with a prudent dividend payment of 2.8p in total (comprising a 1.5p interim dividend and a 1.3p enhanced interim dividend respectively).
The decision made in November to renew the contract with Ward & Hagon Management Consultancy LLP, to provide continued strategic resource particularly to access new retail channels with a view to further growing UK market share and developing the USA business.	This appointment will impact employees, customers and suppliers and maintain and enhance the Company's high standards of business conduct and drive the Group's strategic plan for the benefit of members.



Keith Sadler

Audit Committee Report

On behalf of the board, I am pleased to present the Audit Committee Report for the year ended 31 December 2020.

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

During the year, the Committee consisted of three non-executive directors: me (as Chairman), Clive Garston and Paul Hagon. Paul Hagon subsequently stepped down as a member with effect from 1 January 2021 upon becoming an executive director. The Audit Committee is convened as required and met two times during the year ended 31 December 2020 to discharge its responsibilities inter alia in connection with the Group's Financial Statements for the year ended 31 December 2019 and the Interim Financial Statements for the six months ended 30 June 2020. A further planning meeting took place with the external auditor BDO LLP during the year. The Chief Financial Officer and the external auditor normally attend Committee meetings. The Committee met with the external auditor without management present during the year.

The board is satisfied that I, as Chairman of the Committee, have recent and relevant financial experience. I am a Chartered Accountant and, over the past 25 years have served on the board of a

number of public limited companies in finance roles including as chief financial officer, group finance director and treasurer.

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

The key responsibilities of the Committee are to:

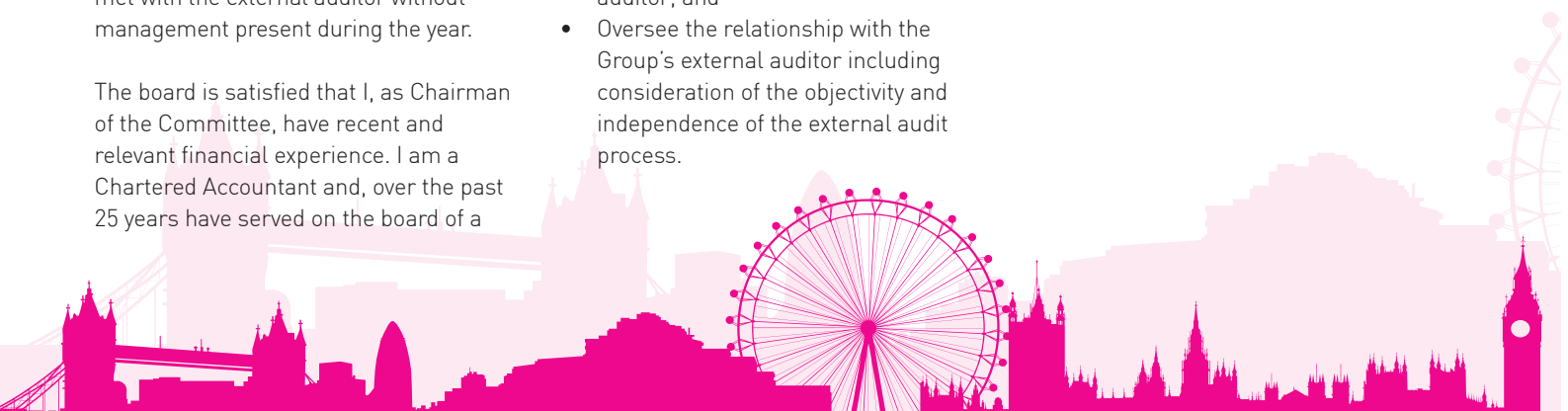
- Monitor the integrity of the Group's financial statements and other statements and announcements relating to its financial performance, reviewing and challenging the methodology and assumptions used where necessary;
- Consider the Group's accounting policies and practices along with its application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

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

Key Activities during the Year

During the year ended 31 December 2020, the Audit Committee has:

- Reviewed and discussed with the external auditor the key accounting considerations, estimates and judgements reflected in the Group's interim results for the six-month period ended 30 June 2020;
- Reviewed and agreed the external auditors audit strategy memorandum in advance of its audit for the year ended 31 December 2020, including a statement on its independence and objectivity;
- Agreed the terms of engagement and fees to be paid to the external auditor for the audit of the 2020 financial statements;
- Received and reviewed statements from management regarding their approach to key accounting considerations, estimates and judgements in the financial statements for the year ended 31 December 2020;
- Discussed the report received from the external auditor regarding its audit in respect of the year ended 31 December 2020;
- Reviewed the half-year and full-year financial statements; and
- Reviewed and approved the Group's viability/going concern statement, including the approach and assumptions taken, giving consideration to key risks.



External auditor

BDO LLP was appointed by the board as the Company's external auditor on 26 June 2020 for the 2020 reporting period and it is their intention to put themselves 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 £149,000 to BDO for audit services in 2020, 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 £29,000 to BDO in 2020, for advice in relation to the adoption of a Company Share Option Scheme, tax advice and interim reviews.

Committee performance and effectiveness

The Company is at a relatively early stage in its development and is yet to adopt a formal performance evaluation procedure for the board, its committees and directors individually.

Audit Committee Report

This Audit Committee Report was reviewed and approved by the board on 27 April 2021.

Keith Sadler

Audit Committee Chairman
27 April 2021





Keith Sadler

Remuneration Committee Report

On behalf of the board, I am pleased to present the Remuneration Committee Report for the year ended 31 December 2020.

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

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

In the year to 31 December 2020, the Remuneration Committee consisted of three non-executive directors: me (as Chairman), Clive Garston and Paul Hagon. Paul Hagon subsequently stepped down as a member with effect from 1 January 2021 upon becoming an executive director. The Remuneration Committee is convened not less than twice a year and otherwise as required. The Committee met two times during the year ended 31 December 2020.

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

Key Activities during the Year

During the year ended 31 December 2020, the Remuneration Committee:

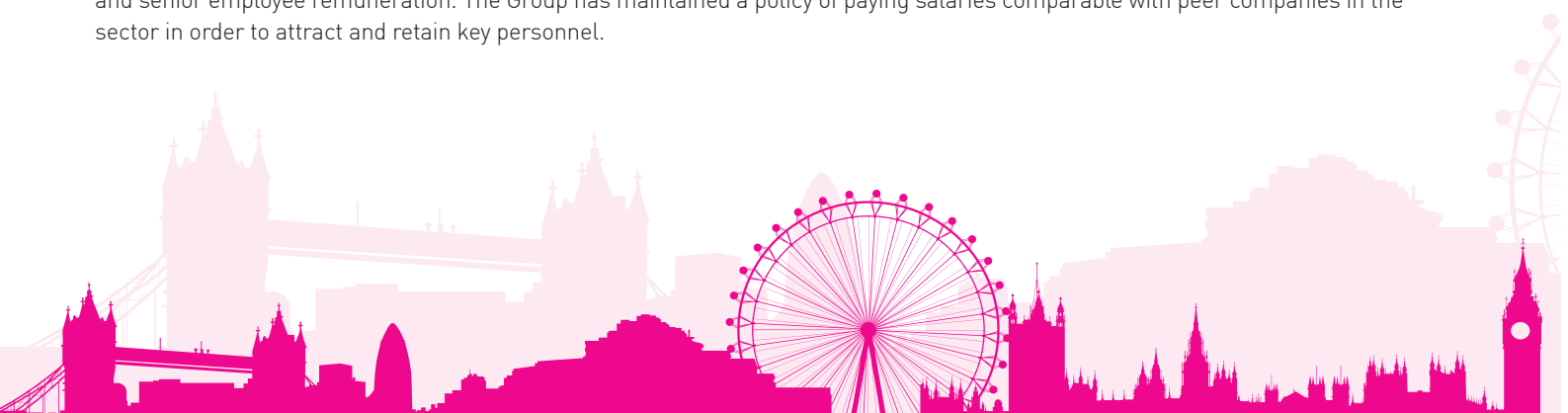
- Recommended the introduction in May 2020, of the Warpaint London plc Company Share Option Plan ("CSOP") in which all Group employees and certain executive directors are entitled to participate. The CSOP has been established to incentivise employees, reward success and increase shareholder value over the long term.
- Reviewed the salary and bonus proposals for the executive directors and senior management at or above the committee's review threshold together with the director's fee payable to Paul Hagon under his revised appointment letter effective from 1 January 2021. Paul Hagon was not present at the review meeting as his salary was one of the subjects of the review and, at the date of the meeting, Paul was moving towards his role as an executive director.

External Advice

The Remuneration Committee was assisted in meeting its responsibilities in relation to the recommendation of the CSOP by BDO LLP. In the year to 31 December 2020 BDO LLP received fees of £9,000 for this advice. The Remuneration Committee is satisfied that the advice it receives from BDO LLP is objective and independent.

Directors Remuneration Policy

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



Directors' Remuneration for the year ended 31 December 2020

	Salary	Pension	Benefits	Bonus	Total Remuneration 2020 £	Fair Value of Options £	Total Remuneration 2019 £
S Bazini	200,000	–	9,773	30,000	239,773	1,749,884	208,960
E Macleod	200,000	–	7,818	30,000	237,818	1,749,884	206,952
N Rodol	150,000	1,314	–	30,000	181,314	441,553	151,188
S Craig	52,500	1,314	–	5,000	58,814	10,800	51,188
C Garston	60,000	–	–	–	60,000	–	60,000
P Hagon	40,000	–	–	–	40,000	–	40,000
K Sadler	40,000	–	–	–	40,000	–	40,000

Directors' interests in share options for year ended 31 December 2020

As at 31 December 2020 the following directors held the following performance related share awards (Enterprise Management Incentive Scheme Options, LTIPs or CSOPs) over ordinary shares of 25p each under the Warpaint London plc Enterprise Management Incentive Scheme, the Long Term Incentive Plan and the Warpaint London plc Company Share Option Plan. For details of the share option schemes see Note 22 on pages 75 to 76.

	Type of Share Award	Date of Grant	Number of Shares at 31 December 2020	Exercise Price	End of Performance Period/First Exercise Date	Number of Shares at 31 December 2019 (or date of appointment if later)
S Bazini	LTIP	21.09.2018	1,534,986	254.5p	31 Dec 2022	1,534,986
E Macleod	LTIP	21.09.2018	1,534,986	254.5p	31 Dec 2022	1,534,986
N Rodol	EMI	29.06.2017	105,262	237.5p	29 June 2020	105,262
	LTIP	21.09.2018	306,996	254.5p	31 Dec 2022	306,996
S Craig	EMI	29.06.2017	10,000	237.5p	29 June 2020	10,000
	CSOP	20.05.2020	10,000	49.5P	20 May 2020	–
P Hagon	–	–	–	–	–	–
C Garston	–	–	–	–	–	–
K Sadler	–	–	–	–	–	–

Remuneration Committee Report (continued)

The directors, who held office at 31 December 2020, had the following interests in the ordinary shares of 25p each in the capital of the Company:

	Number of share options held at 31 December 2020 ^(c)	Number of Ordinary Shares held at 31 December 2020	Ordinary Shares as % of issued share capital	Number of Ordinary Shares held at 31 December 2019
S Bazini^(a)	1,534,986	15,195,208	19.80	15,195,208
E Macleod^(b)	1,534,986	15,195,208	19.80	15,195,208
N Rodol	412,258	103,961	0.14	103,961
S Craig	20,000	–	–	–
P Hagon	–	31,145	0.04	31,145
C Garston	–	126,315	0.16	126,315
K Sadler	–	31,145	0.04	31,145

In addition to the above holdings:

- (a) 4,250,000 (2019: 4,250,000) shares are held by the wife of S Bazini
- (b) 4,250,000 (2018: 4,250,000) shares are held by the wife of E Macleod
- (c) For details of the share option schemes see Note 22 on pages 75 to 76.

On 20 January 2021, Keith Sadler sold 10,526 ordinary shares of 25p each in the Company at a price of 90.10p per ordinary Share and acquired the same number of ordinary Shares in his ISA for 93.15p per ordinary share. As a result of the transfer, Keith's holding remained unchanged at 31,145 ordinary shares. Save as mentioned above, there were no changes in the shareholdings of the directors between 31 December 2020 and the date of this report.

Service Contracts and non-executive directors' Letters of Appointment

The executive directors have rolling contracts that are terminable on 12 months' notice, in the case of Sam Bazini and Eoin Macleod (the Chief Executive Officer and the Managing Director) and 6 months' notice, in the case of Neil Rodol (Chief Financial Officer) and Sally Craig (General Counsel & Company Secretary). Paul Hagon (executive director), Clive Garston (Chairman) and Keith Sadler, (non-executive director) have each entered into a letter of appointment which is terminable on three months' notice.

Shareholder Approval of Directors' Remuneration Report

Shareholders are asked to approve this directors' Remuneration Report (excluding the directors' Remuneration Policy) for the year ended 31 December 2020 at the forthcoming Annual General Meeting. This resolution is advisory in nature.

Keith Sadler

Remuneration Committee Chairman
27 April 2021



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 2020. The Corporate Governance statements on pages 23 to 46 form part of this report.

Going concern

The Company's going concern statement can be found in the Consolidated Financial Statements on pages 58 to 59.

Results and dividends

The directors recommend a final dividend of 3.0 pence per ordinary share to be paid on 5 July 2021 for the year ended 31 December 2020 which, when added to the interim dividend of 2.8 pence per share gives a total dividend for the year of 5.8 pence per share. In the year ended 31 December 2019 the final dividend per ordinary share was nil pence per share and the interim dividend 1.5 pence per share, giving a total dividend for the year ended 31 December 2019 of 1.5 pence per share.

Directors

The following directors who held office during the year and to the date of authorisation of the accounts are as follows:

Non-executive chairman

C Garston

Executive directors

S Bazini

E Macleod

N Rodol

S Craig

P Hagon*

Non-executive director

K Sadler

* During the financial year ended 31 December 2020, Paul Hagon was a non-executive director. He became an executive director with effect from 1 January 2021.

In accordance with the Company's Articles of Association Eoin Macleod and Keith Sadler will retire and stand for re-election at the forthcoming Annual General Meeting.

Likely Future developments

Details of the Group's future developments are contained in the Strategic report set out on pages 3 to 21.

Substantial shareholdings

The Group is aware of the following shareholdings of 3% or more in the share capital as at 31 December 2020:

Shareholder	Number of Shares	%
S Bazini (including connected parties)	19,445,208	25.34
E Macleod (including connected parties)	19,445,208	25.34
Schroders plc	10,941,410	14.26

Financial instruments

The Group's financial risk management objectives and policies are discussed in Note 24 to the Consolidated Financial Statements on pages 77 to 81.

Directors' Report (continued)

Auditors

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

Indemnity of Directors

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

Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRSs), and the Company financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs or United Kingdom Generally Accepted Accounting Practice;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

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

to the ongoing integrity of the financial statements contained therein.

Employees

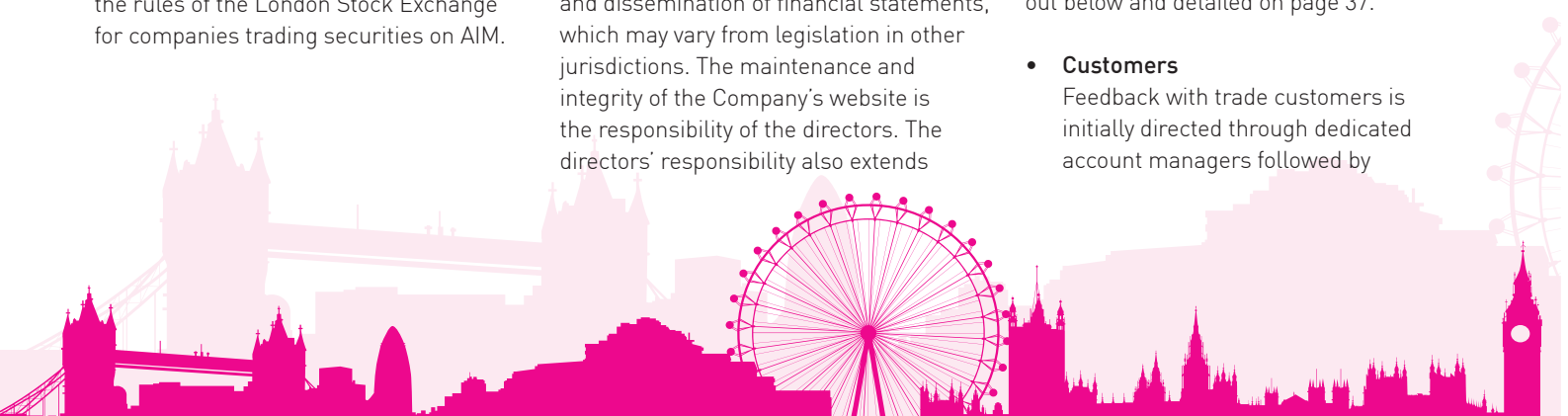
It is the Company's policy not to discriminate between employees or potential employees on any grounds. Full and fair consideration is given to the recruitment, training and promotion of disabled people and, should staff become disabled during the course of their employment, efforts are made to provide appropriate re-training.

Engagement with Key Stakeholders

The key stakeholders for the Group are customers, distributors, suppliers, employees, shareholders and the community and environment in which we live. Whilst interactions take place at all levels of the Group, the directors are aware of the importance of the relationships with key stakeholders and feedback is utilised wherever possible to sustain these relationships in order to drive the long term success of the business. Business relationships with the following stakeholders are described below. Face to face communications were largely curtailed in 2020 due to Covid-19, and many interactions with our stakeholders have taken place virtually. This has not only maintained, but in many instances enhanced our relationships with several of our key stakeholders and will be continued for the foreseeable future, irrespective of the restoration of face to face interaction. The effect of any such engagement on key decisions in the financial year to 31 December 2020 are set out below and detailed on page 37.

• Customers

Feedback with trade customers is initially directed through dedicated account managers followed by



engagement with our administration teams. For end user customers feedback is garnered through the peer to peer review site Yotpo, and social media platforms such as Facebook, Twitter, Instagram and Pinterest. The Group's consumer customers frequently contact the Company in writing, by email, direct calls to the head office and through the website www.w7makeup.co.uk, where they are also able to leave comments. We endeavour to respond to all customers who contact us in a swift and efficient manner typically by email or direct calls with all responses followed up to seek to achieve a positive outcome. During 2020, it was vital to maintain close contact with our trade customers and this was primarily undertaken remotely. Trends in the cosmetics business are dynamic and swift reaction to feedback is vital in introducing new products and updating our product range.

• Distributors

We seek to strengthen our relationships with our distributors to garner feedback and provide support with regular meetings, attendance at trade shows which, during 2020 have been largely virtual, and maintaining close contact with them through our sales representatives. During 2020, we have maintained our relationships with our distributors and supported them wherever possible. Our Distributors provide feedback on product suitability including in regions of the world such as the Middle East where there may be cultural sensitivities in the product packaging and branding. Different regions may also call for particular colour mixes and shades and such feedback enables us to optimise and

tailor products in these regions. The aim is to align the interests of the distributor with those of the Group.

• Suppliers

Suppliers are visited at least annually and regular contact maintained at other times through trade shows, meetings and other close communications which, during 2020 have been largely virtual. The Group's principal suppliers are made to feel part of the organisation with an open and honest dialogue encouraged so that feedback can be communicated and a rapid response provided. The Group has an office in Hong Kong enabling more frequent visits and enhanced supplier contact. A strong relationship with the Group's suppliers is vital to the long term success of the Company.

• Employees

The 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. The Group operates an open-door policy, everyone is known by name to the senior managers and executive directors with the Chief Executive Officer and Managing Director engaging daily with employees across the business. Communication is encouraged both on an informal basis and through regular departmental meetings, where input from colleagues is welcomed in any area. Communication channels within the business are key and the open-door policy and regular meetings aid this.

Where practicable, consideration is given to flexible working and this was increasingly important during 2020 to minimise the impact on our employees of the Covid-19 pandemic and lockdowns. Flexibility was offered wherever possible, with help with working from home and flexible working where practicable for mothers and fathers home schooling. All employees received 100% of their salaries when furloughed and safe working conditions were implemented. As always, the well-being of our staff is paramount and particularly so during this period.

• Shareholders

The means of engagement with shareholders is detailed on pages 34 and 35. Throughout the financial year to 31 December 2020, there has been ongoing engagement with shareholders by the means described.

• Community

Wherever possible we employ staff from the local area and encourage the use of car sharing and public transport to reduce the impact on local roads. We manage the times of our incoming and outgoing deliveries in order to limit any disturbance to residents in the local area. As a rule, we use local trade's people for goods and services creating employment and income within the area. We often support local charities, including South Bucks Hospice and provide donations of our products for local school fairs and fetes, these requests coming via our local suppliers. 2020 has reduced the number of opportunities to participate in such events but contributions to local charities have been made in the year and this will continue.

Directors' Report (continued)

• Environment

The Group has removed all plastics from the outer packaging of its gifting and all year-round products, and has virtually eliminated the use of single use packaging in its products completely. The Group's product packaging therefore uses paper and cardboard wherever practicable, which enables the Group, the wholesaler and end user to recycle the waste effectively. This means that the business consumes considerable amounts of paper and cardboard, and the Group utilises a regular recycling collection service. This programme will be extended to utilise sustainable or recycled packaging where feasible, and the Group aims to be a market leader in this area. In terms of the Group's product casings, the use of plastic is sometimes practically unavoidable but recyclable packaging is used wherever possible.

All new W7 brand products are being manufactured without parabens and the Company is reformulating existing products where feasible. The Group aims to be paraben free for W7 in the next 24 to 36 months and Technic/Badgequo products are already paraben free.

The Covid-19 pandemic necessarily resulted in a reduction of travel within the Group, with business being conducted with customers and others virtually, where practicable. This has had a positive impact on the Group with business and trading relationships improving as a result. Hence, travel, and particularly air travel, will be restricted in future with customer, supplier, management and employee meetings being held virtually where feasible. This will not detract

from the need to hold face to face meetings where this is conducive to a more productive relationship.

Streamline Energy and Carbon Reporting ("SECR")

The financial year 2020 is the first year we are required to report under the SECR framework. Our SECR covers the energy consumption and Greenhouse Gas ("GHG") emissions for the period 1 January 2020 to 31 December 2020. The table below shows the energy and GHG emissions from business activities involving the combustion of gas, the purchase of electricity, and business mileage in both kWh and tCO₂e.

Financial Year 2020	Energy Usage in kWh	GHG Emissions in tCO ₂ e
Scope 1	103,860	19,097
Scope 2	289,748	67,552
Scope 3	68,988	15,812
Total for 2020	462,596	102,461
Intensity ratio (tCO ₂ e per m2)		6.9

We have selected an intensity metric based on the energy consumption per square metre of area of our sites, this is of 6.9kg CO₂/m2. We will use this ratio to monitor our energy efficiency performance over time.

The Group has implemented a range of energy efficiency measures at our sites in the year. These include an upgrade to internal and external LED lighting with motion sensors in some areas and a reduction in business travel by making more use of online meetings.

We continue to consider new technologies to improve the environmental performance of our sites, to reduce energy consumption and improve energy efficiency.

SECR Methodology

The figures quoted include meter readings for electricity and gas, and mileage expense reimbursement claims for business mileage. Conversion factors used are taken from the 'The Carbon Trust – Energy and carbon conversions 2020 update' to calculate emissions for Scope 1, 2 and 3. Refunded business mileage has been classed as Scope 3 as the Group do not own the assets.

SECR Materiality

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

Statement of disclosure to the auditors

So far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware, and
- 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
27 April 2021

Independent Auditor's Report to the members of Warpaint London PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Warpaint London Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity, the consolidated and company statements of financial position, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. 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).

Basis for opinion

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

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- A critical evaluation of the Directors' assessment of the entity's ability to continue as a going concern, covering the period of at least 12 months from the date of approval of the financial statements by;
- Evaluating the process the Directors followed to make their assessment, including confirming the assessment and underlying projections were prepared by appropriate individuals with sufficient knowledge of the detailed figures as well as an understanding of the entities markets, strategies and risks. Understanding, challenging and corroborating the key assumptions included in their cash flow forecasts against prior year, our knowledge of the business and industry, and other areas of the audit.
- We considered the potential impact on the statement of financial position, specifically around trade receivables and assessed Director's judgement around the recoverability of these balances. This included reviewing post year end, post lockdown sales values and cash receipts post year end.
- Searching through enquiry with the Directors, review of board minutes and review of external resources for any key future events that may have been omitted from cash flow forecasts and assessing the impact these could have on future cash flows and cash reserves.
- Assessing stress test scenarios, including those in respect of COVID-19 considerations, and challenging whether other reasonably possible scenarios could occur and including these where appropriate.
- Considering the adequacy of the disclosures relating to going concern included within the annual report against the requirements of the accounting standards and consistency of the disclosures against the forecasts and going concern assessment.

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

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

The directors' assessment of going concern involves a number of highly subjective judgements, therefore, this was accordingly identified as a Key Audit Matter.

Independent Auditor's Report (continued)

to the members of Warpaint London PLC

Overview

Coverage¹	87% (2019: 93%) of Group profit before tax		
	94% (2019: 100%) of Group revenue		
	98% (2019: 99%) of Group total assets		
Key audit matters		2020	2019
	Impairment of intangible assets and goodwill	✓	✓
	Carrying value of inventory	✓	✓
	Going concern	✓	✓
Materiality	Group financial statements as a whole		
	£245,000 (2019: £248,000) based on capped 5% (2019: 5%) of average profit before interest, tax, amortisation, and exceptional items.		

¹ These are areas which have been subject to a full scope audit or specific procedures by the group engagement team

Key audit matters

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

Aside from the going concern key audit matter identified above, we identified the following areas as the key audit matters relevant to our audit of the financial statements.

Key audit matter	How the scope of our audit addressed the key audit matter
Impairment of intangibles assets and goodwill (with reference to notes 1, 9 and 10)	<p>The Directors perform annual impairment reviews of goodwill for all cash generating units (CGUs).</p> <p>This review also covers the carrying value of other intangible assets, property plant and equipment, and other assets of the CGUs.</p> <p>The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows, which form the basis of the Group's value in use calculation and assessment of the carrying value of goodwill and intangible asset values. Due to the impact of Covid-19 on the Group there is increased uncertainty surrounding management's trading assumptions.</p> <p>We have determined as part of our risk assessment that the value in use calculation used in the assessment of carrying value of goodwill and intangible assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements disclose the sensitivities estimated by the Group.</p>
	<p>We assessed management's allocation of assets for each CGU based on our knowledge of the Group and its operations.</p> <p>We challenged management's assumptions and assessed the achievability of the forecasts included in the impairment model using a number of techniques including assessing accuracy of historic forecasting, post year-end performance and industry trends, including the impact of COVID-19 on each CGU.</p> <p>We considered whether the revenue, and where relevant associated costs, used in the value in use calculations was reasonable in light of historic performance and industry projections. This included using our own sector experience in challenging the key assumptions made and performing sensitivity analysis on these assumptions. These areas included the projected economic growth and cost inflation, margin and known or probable changes in the business environment.</p>

An overview of the scope of our audit

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

The group consists of three trading subgroups, all of which are run from the UK except for Marvin Leeds Marketing Services Inc. which is based on the United States of America. In establishing the overall approach to the group audit, we completed full scope audits on the underlying subgroups and the parent company as significant components, except for Marvin Leeds Marketing Services Inc, on which we performed specific audit procedures on certain account balances. Marvin Leeds Marketing Services Inc. Is not deemed to be a significant component and so our work was tailored to focus on specific risk areas. All audit work was carried out by BDO LLP.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Key assumptions include revenue, gross margin, and cash flow forecast assumptions.</p> <p>The impairment test is also based on key assumptions in respect of the appropriate discount rates and longer-term growth rates.</p> <p>As a result of the review, management did not identify any impairments.</p>	<p>We used our own valuation specialists to challenge the value in use and the fair value less cost to sell model. We assessed the competence, independence and expertise of the third-party expert used by management in formulating the value in use model. We also challenged management and their third-party experts regarding the assumptions made in the model including the cash flow forecast, weighted average cost of capital and discount rate used. We benchmarked the key assumptions applied against a variety of similar businesses and considered whether these fell within our acceptable ranges. We assessed whether the selected price index was reasonable by comparing this to other data sources, including from a number of similar businesses.</p> <p>Key observations: Based on the procedures we performed, no issues arose from our work that suggested goodwill and intangible assets are materially misstated.</p>
<p>Net realisable value of inventory</p> <p>(with reference to notes 1 and 13)</p> <p>The Group has significant levels of inventory and estimates are made in the valuation of slow moving and obsolete inventories, some of which have a limited shelf life. There is also some uncertainty over changes in consumer preferences and spending patterns, which are primarily driven by wider trends in the fashion industry as well as seasonality, which could impact the saleability of inventory.</p> <p>There is a recoverability risk associated with new product launches and judgement is required in forecasting demand which can lead to obsolete inventory. Given the level of judgement and estimation involved by management, the carrying value of inventory is considered to be a key audit matter.</p>	<p>Our procedures included assessing the carrying value of inventory as being appropriate at the lower of cost of net realisable value. This was done through testing a sample of items to their unit cost and then to the average sale price in the period leading up to and around the year end. Where there were indicators of negative margin or zero margin, we determined whether these balances were considered appropriately in the inventory provision balance.</p> <p>In addition, we considered 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. 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 yearend date.</p> <p>Further, we tested the unprovided inventory balance by reviewing sales volumes and values after the balance sheet date by testing a sample of items.</p> <p>Key observations: Based on the procedures we performed, no issues arose from our work that suggested net realisable value of inventories are materially misstated.</p>

Independent Auditor's Report (continued)

to the members of Warpaint London PLC

Our application of materiality

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

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

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

Group financial statements		Parent company financial statements		
	2020 £	2019 £	2020 £	2019 £
Materiality	245,000	248,000	150,000	100,000
Basis for determining materiality	5% of adjusted profit before tax (2020: capped to lower than previous year).		1.5% of Total assets capped to address aggregation risk.	
Rationale for the benchmark applied	<p>We considered adjusted profit before tax (profit before interest, tax, amortisation, and exceptional items) to be the most appropriate measure for the basis of materiality given it is a key performance indicator of the Group and management.</p> <p>Adjustments are included in the consolidated statement of comprehensive income and note 4 to the financial statements.</p> <p>Adjusted measures have been used as a benchmark given the importance of underlying trading profit as a measure for users of the financial statements in assessing the performance of the Group.</p> <p>For 2020, the benchmark used is the average 3 years adjusted profit before tax to alleviate the fluctuations caused by Covid-19.</p>		<p>We considered total assets to be the most appropriate measure for the basis of materiality as the Parent Company is primarily an investment holding company.</p>	
Performance materiality	183,750	186,000	112,500	75,000
Basis for determining performance materiality	75% of Group materiality, based on our overall risk assessment. In setting the level of performance materiality, we considered a number of factors including the control environment, our testing strategy, the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.		75% of Company materiality, based on our overall risk assessment. In setting the level of performance materiality, we considered a number of factors including the control environment, our testing strategy, the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.	



Component materiality

We set materiality for each component of the Group based on a percentage of between 47% and 90% (2019: 40% to 90%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £116,000 to £221,000 (2019: £100,000 to £223,000). In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £12,250 (2019: £12,400). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> 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. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company financial statements are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (continued) to the members of Warpaint London PLC

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and the industry in which it operates. We determined that the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework, including international accounting standards in conformity with the requirements of the Companies Act 2006, and significant regulations relating to the sector in which the group operates are employment and taxation laws and regulations in the jurisdictions in which the Group operates.
- We understood how the company is complying with those legal and regulatory frameworks, including those under industry regulation, by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and reviewing summary of claims, litigations and regulatory inquiries that we have obtained from the Group's Compliance Officer.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management from across the Group to understand where they considered there was a susceptibility to fraud.
- Our audit planning identified fraud risks in relation to management override and revenue recognition. We considered the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors that processes and controls.

- We designed our audit procedures to detect irregularities, including fraud. Our procedures included journal entry testing, with a focus on large or unusual transactions based on our knowledge of the business; existence of revenue, enquiries with the Compliance Officer, the Group management; and focussed testing as referred to in the Key Audit Matters section above.

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

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kieran Storan

(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
London, United Kingdom
27 April 2021

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 2020

	Note	Year ended 31 December	
		2020 £'000	2019 £'000
Revenue	2	40,286	49,282
Cost of sales	2	(27,742)	(32,780)
Gross profit		12,544	16,502
Administrative expenses	4,5	(13,807)	(14,355)
Other operating income	3	361	
Analysed as:			
Adjusted profit from operations ¹		2,514	5,580
Amortisation	4,10	(2,443)	(2,439)
Exceptional items	4	(317)	(178)
Share based payment	22	(656)	(816)
(Loss)/profit from operations		(902)	2,147
Finance expense	6	(212)	(370)
(Loss)/profit before tax		(1,114)	1,777
Tax expense	7	111	(409)
(Loss)/profit for the year attributable to equity holders of the parent company		(1,003)	1,368
Other comprehensive income:			
Item that will or maybe reclassified to profit or loss:			
Exchange gain/(loss) on translation of foreign subsidiary		53	(12)
Total comprehensive income attributable to equity holders of the parent company		(950)	1,356
Basic earnings per share (pence)	27	(1.31)	1.78
Diluted earnings per share (pence)	27	(1.31)	1.78

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

The notes on pages 58 to 82 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

		As at 31 December	
	Note	2020 £'000	2019 £'000
Non-current assets			
Goodwill	9	7,274	7,274
Intangibles	10	4,651	7,082
Property, plant, and equipment	11	1,149	684
Right-of-use assets	12	3,799	4,685
Deferred tax assets	18	581	374
Total non-current assets		17,454	20,099
Current assets			
Inventories	13	14,413	16,194
Trade and other receivables	14	9,187	12,624
Cash and cash equivalents	15	4,875	2,731
Derivative financial instruments	24	40	39
Total current assets		28,515	31,588
Total assets		45,969	51,687
Current liabilities			
Trade and other payables	16	(3,121)	(3,933)
Borrowings and lease liabilities	17	(914)	(2,206)
Derivative financial instruments	24	(400)	–
Corporation tax liability		(119)	(548)
Total current liabilities		(4,554)	(6,687)
Non-current liabilities			
Borrowings and lease liabilities	17	(3,045)	(3,863)
Deferred tax liability	18	(1,000)	(1,324)
Total non-current liabilities		(4,093)	(5,187)
Total liabilities		(8,599)	(11,874)
NET ASSETS		37,370	39,813

The notes on pages 58 to 82 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

		As at 31 December	
	Note	2020	2019
		£'000	£'000
Equities			
Share capital	20	19,187	19,187
Share premium		19,359	19,359
Merger reserve		(16,100)	(16,100)
Foreign exchange reserve		89	36
Share option reserves	21	1,633	977
Retained earnings		13,202	16,354
TOTAL EQUITY		37,370	39,813

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

Neil Rodol

Chief Financial Officer

27 April 2021

The notes on pages 58 to 82 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Foreign exchange reserve £'000	Share option reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2019	19,187	19,359	(16,100)	48	161	18,363	41,018
Comprehensive Income for the year							
On translation of foreign subsidiary	–	–	–	(12)	–	–	(12)
Profit for the year	–	–	–	–	–	1,368	1,368
Total comprehensive income for the year	–	–	–	(12)	–	1,368	1,356
Transactions with owners							
Share based payment charge	–	–	–	–	816	–	816
Dividends paid	–	–	–	–	–	(3,377)	(3,377)
Total transactions with owners	–	–	–	–	816	(3,377)	(2,561)
As at 31 December 2019	19,187	19,359	(16,100)	36	977	16,354	39,813
Comprehensive Income for the year							
On translation of foreign subsidiary	–	–	–	53	–	–	53
Loss for the year	–	–	–	–	–	(1,003)	(1,003)
Total comprehensive income for the year				53		(1,003)	(950)
Transactions with owners							
Share based payment charge	–	–	–	–	656	–	656
Dividends paid	–	–	–	–	–	(2,149)	(2,149)
Total transactions with owners					656	(2,149)	(1,493)
As at 31 December 2020	19,187	19,359	(16,100)	89	1,633	13,202	37,370

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

	Note	Year ended 31 December	
		2020 £'000	2019 £'000
Operating activities			
(Loss)/profit before tax		(1,114)	1,777
Interest paid	6	212	370
Amortisation of intangible assets	10	2,443	2,439
Depreciation of property, plant, and equipment	11/12	1,252	1,194
Loss on disposal of property, plant, and equipment		2	39
Share based payment	22	656	816
Decrease/(increase) in trade and other receivables		3,437	(327)
Decrease/(increase) in inventories	13	1,781	(832)
(Decrease)/increase in trade and other payables		(812)	444
Fair value loss/(gain) on derivative financial instruments		399	(39)
Foreign exchange translation differences		53	(13)
Cash generated from operations		8,309	5,868
Tax paid		(853)	(1,499)
Net cash flows from operating activities		7,456	4,369
Investing activities			
Purchase of intangible assets	10	(12)	(35)
Purchase of property, plant, and equipment	11	(869)	(284)
Sale of property, plant, and equipment proceeds		21	–
Net cash used in by investing activities		(860)	(319)
Financing activities			
Repayment of borrowings	17	(90)	(83)
Lease payments		(810)	(811)
Decrease in stock and invoice finance facilities		(1,191)	(719)
Interest paid	6	(212)	(370)
Dividends	19	(2,149)	(3,377)
Net cash used in financing activities		(4,452)	(5,360)
Net increase/(decrease) in cash and cash equivalents		2,144	(1,310)
Cash and cash equivalents at beginning of period		2,731	4,041
Cash and cash equivalents at end of period	15	4,875	2,731
Cash and cash equivalents consist of:			
Cash and cash equivalents	15	4,875	2,731
		4,875	2,731

The notes on pages 58 to 82 form part of these financial statements.

Notes to the Consolidated Financial Statements as at ended 31 December 2020

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 2020 were authorised for issue by the board of directors 27 April 2021.

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

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

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

The preparation of financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The principal accounting policies adopted are set out below.

Basis of consolidation

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

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

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

On consolidation, the results of overseas operations are translated into pounds sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are

translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

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

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

Going concern

The Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. This is based on a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of signing of these accounts. The Group made a statutory loss of £1.0 million in the year to 31 December 2020 (2019: £1.4 million profit) and had net current assets of £24.0 million at 31 December 2020 (2019: £24.9 million). The Group occasionally makes use in its Retra subsidiary of a £10 million facility that can be used for confidential invoice discounting and stock finance, the facility renews each year at the end of June, and contains certain covenants, including a minimum EBITDA for Retra to be tested on a cumulative quarterly basis.

The Directors have prepared forecasts covering the period to December 2022, built from the detailed Board approved budget for 2021. The forecasts include a number of assumptions in relation to varying levels of sales revenue. Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment presents a number of challenges which could negatively impact the actual performance achieved. Excluding the potential impact of COVID-19, which is considered below, these risks include, but are not limited to, achieving forecast levels of sales and order intake, the impact on customer confidence as a result of general economic conditions and leaving the European Union, achieving forecast margin improvements and the director's ability to implement cost saving initiatives in areas of discretionary spend where required.

The Group's cash flow forecasts and projections, taking account of reasonable and possible changes in trading performance excluding the potential impact of COVID-19 (which is considered below), offset by mitigating actions within the control of management including reductions in areas of discretionary spend, show that the Group will be able to operate comfortably through to the end of December 2022, and in Retra within the level of its facility and associated covenants.

The uncertainty as to the future impact on the Group of the COVID-19 outbreak has been separately considered as part of the directors' consideration of the going concern basis of preparation. The Group experienced a material impact in trading performance due to COVID-19 in 2020 and this has to a lesser extent continued into 2021 with many but not all customers closed at times in the UK and overseas. In the downside scenario analysis performed, the directors have considered the reasonably plausible impact of the ongoing COVID-19 outbreak on the Group's trading and cash flow forecasts.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

1. Significant accounting policies (continued)

In preparing this analysis, a number of scenarios were modelled with the benefit of experience having come through the three lockdowns in the UK in 2020. The scenarios modelled were all based on varying levels of sales revenue, including no growth for 2021 and 2022, and more extreme falls in revenue of up to 30% in both years as a worst-case scenario. In each scenario, mitigating actions within the control of management have been modelled. Under each of the scenarios modelled, the Group has sufficient cash to meet its liabilities as they fall due and consequently, the directors believe that the Group has sufficient financial strength to withstand the possible disruption to its activities.

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

Revenue Recognition

Performance obligations and timing of revenue recognition

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

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

Where the Group has entered into distributor arrangements the satisfaction of performance obligations and transfer of control to the distributor is from the date of dispatch from either the Group's overseas supplier or from the Company's UK warehouse. Revenue is therefore recognised on the date of dispatch.

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

Determining the transaction price

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

- Some contracts provide customers with a limited right of return. These relate predominantly, but not exclusively, to online sales direct to consumers and retailers. Historical experience enables the group to estimate reliably the value of goods that will be returned and restrict the amount of revenue that is recognised such that it is highly probable that there will not be a reversal of previously recognised revenue when goods are returned.

- Variable consideration relating to volume rebates has been considered in estimating revenue in order that it is highly probable that there will not be a future reversal in the amount of revenue recognised when the amount of volume rebates has been determined.

Allocating amounts to performance obligations

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

Practical Exemptions

The group has taken advantage of the practical exemptions:

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

Expenditure and provisions

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

Retirement Benefits: Defined contribution schemes

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

Exceptional items and Alternative performance measures

Exceptional items which have been disclosed separately on the face of the income statement in order to summarise the underlying results. Exceptional items in the current period relate to restructuring costs and legal and professional fees. Neither 'underlying profit or loss' nor 'exceptional items' are defined by IFRS however the directors believe that the disclosures presented in this manner provide a clearer presentation of the underlying financial performance of the Group.

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

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

1. Significant accounting policies (continued)

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

Intangible assets

Patents

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

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation is provided on customer lists and brands so as to write off the carrying value over the expected useful economic life of five years. Other details of the acquisition are detailed in note 8.

Goodwill

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

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

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

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

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

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

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

Derecognition of intangible assets

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

Property, plant and equipment

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

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

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

Right-of-Use Assets

In the previous period, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under IAS 17 "Leases". The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 12.

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

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

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

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

1. Significant accounting policies (continued)

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

Financial assets

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

Fair value through profit or loss

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

Amortised cost

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

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

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

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

Financial liabilities

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

Fair value through profit or loss

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

Other financial liabilities

Other financial liabilities include the following items:

- Bank loans which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate.
- Trade payables, other borrowings and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Derivative financial instruments

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

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

Foreign currencies

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

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

1. Significant accounting policies (continued)

Leases

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

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

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

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

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

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

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

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

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

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

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy

- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

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

Nature of leasing activities (in the capacity as lessee)

The group leases a number of property, plant and equipment in the jurisdictions from which it operates with a fixed periodic rent over the lease term. The group has a total of 6 property leases and 1 plant and machinery lease.

Taxation

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

Current tax

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

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

Deferred taxation

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

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

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

1. Significant accounting policies (continued)

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

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

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

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

Inventories

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

Operating segments

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

Earnings per share

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

Share Capital

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

Share-based payments

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

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

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

Dividends

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

Changes in accounting policies

New standards, interpretations and amendments effective from 1 January 2020.

There were no new standards or interpretations impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2020, and which have given rise to changes in the Group's accounting policies.

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

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

1. Significant accounting policies (continued)

		Effect annual periods beginning before or after
IFRS 3	Amendments updating a reference to the Conceptual Framework	1st January 2022
IFRS 4, 7, 9, 16 IAS 39	Amendments regarding replacement issues in the context of the IBOR reform	1st January 2021
IFRS 9	Amendments resulting from the annual improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	1st January 2022
IFRS 17	Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	1st January 2023
IAS 1	Amendments to defer the effective date of January 2020 amendments Amendments regarding the disclosure of accounting policies	1st January 2023
IAS 8	Amendments regarding the definition of accounting estimates	1st January 2023
IAS 16	Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items while the company is preparing the asset for its intended use	1st January 2022
IAS 37	Amendments regarding the costs to include when assessing whether a contract is onerous	1st January 2022

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.

Government Grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants which are revenue in nature are recognised on a systematic basis within Other operating income in the Statement of Comprehensive income over the period in which the group recognises as expenses the related costs for which the grants are intended to compensate.

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.

The Group makes a 50% provision for perishable items of stock that are greater than two years old. Should the Group increase the provision to 100% of perishable items that are greater than two years old, this would decrease profit by £251,000. The Group does not provide any provision on its non-perishable goods that are greater than two years old on the basis that the products have long shelf life. Should the Group increase the provision to 100% of non-perishable items that are greater than two years old, this would decrease profit by £137,000.

b) Impairment of goodwill

The assessment of the recoverable amount of goodwill allocated to Retra Holdings Limited and Leeds Marketing Services, Inc., as detailed in note 10, was based on a value in use calculation which involved judgement in assessing the projected future cashflows arising from the CGU and a suitable discount rate to be used to measure the future cash flows to present value. A one per cent increase in the pre-tax discount rate for Retra Holdings Limited from 8.03% to 9.03% would reduce the recoverable amount by approximately £1.6 million and will still not result in any impairment, while a one percent increase in the pre-tax discount rate for Leeds Marketing Services, Inc. from 7.62% to 8.62% would reduce the recoverable amount by approximately £1.3 million and will still not result in any impairment.

c) Deferred tax assets

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

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

2. Segmental information

For management purposes, the Group is organised into two operating segments; Branded and Close-out. The segment 'Branded' relates to the sale of own branded products whereas 'close-out' relates to the purchase of third-party stock which is then repackaged for sale. These segments are the basis on which the Group reports internally to the Board.

Year ended 31 December	2020 Own Brand £'000	2020 Close-out £'000	2020 Total £'000	2019 Own Brand £'000	2019 Close-out £'000	2019 Total £'000
Revenue	35,397	4,889	40,286	41,619	7,663	49,282
Cost of sales	(24,375)	(3,367)	(27,742)	(27,086)	(5,694)	(32,780)
Gross profit	11,022	1,522	12,544	14,533	1,969	16,502
Administrative expenses	(11,853)	(1,637)	(13,490)	(13,110)	(1,067)	(14,177)
Exceptional items	(279)	(38)	(317)	(155)	(23)	(178)
Other operating income	317	44	361	–	–	–
Segment result	(793)	(109)	(902)	1,268	879	2,147
Reconciliation of segment result to profit before tax:						
Segment result	(793)	(109)	(902)	1,268	879	2,147
Finance expense	(212)	–	(212)	(370)	–	(370)
Profit before tax	(1,005)	(109)	(1,114)	898	879	1,777
Analysis of total revenue by geographical market:						
UK	16,909	4,233	21,142	17,863	4,838	22,701
Europe	5,271	48	5,319	6,289	680	6,969
Spain	4,555	72	4,627	7,268	–	7,268
Denmark	4,987	171	5,158	4,580	–	4,580
USA	1,790	358	2,148	2,825	2,131	4,956
Australia and New Zealand	1,206	–	1,206	1,408	2	1,410
Rest of World	679	7	686	1,386	12	1,398
Total	35,397	4,889	40,286	41,619	7,663	49,282

During the year ended 31 December 2020, there was no single material external customer from which revenues were derived exceeding 10% of annual sales. During the year ended 31 December 2019, revenues of approximately £5,269,000 were derived from a single external customer based in Spain and £3,797,000 were derived from a single external customer based in Denmark.

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

Analysis of non-current assets by geographical market.

Year ended 31 December	2020 UK £'000	2020 USA £'000	2020 Total £'000	2019 UK £'000	2019 USA £'000	2019 Total £'000
Goodwill	6,720	554	7,274	6,720	554	7,274
Intangibles	4,066	585	4,651	6,286	796	7,082
Property, plant and equipment	1,142	7	1,149	675	9	684
Right of use assets	3,684	115	3,799	4,399	286	4,685
	15,612	1,261	16,873	18,080	1,645	19,725

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

3. Other operating income

	Year ended 31 December	
	2020	2019
	£'000	£'000
Government grants receivable	361	–
	361	–

The group applied for various government support Programs introduced in response to the global pandemic.

Included within the consolidated statement of comprehensive income is £361,000 of government grants obtained relating to supporting the payroll of the Group's employees. The Group has elected to present this government grant separately, rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expenses, and not reduce employee headcount below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program.

4. Operating (loss)/profit

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

	Year ended 31 December	
	2020	2019
	£'000	£'000
Foreign exchange loss	420	227
Depreciation	385	326
Amortisation of right of use assets	867	868
Amortisation of intangible assets	2,443	2,439
Write-down inventories at net realisable value	312	83
Exceptional costs	317	178

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

Exceptional costs

	Year ended 31 December	
	2020	2019
	£'000	£'000
Non-recurring legal and professional fees	76	16
Restructuring costs	241	162
	317	178

Auditor's Remuneration

Analysis of auditor's remuneration is as follows:

	Year ended 31 December	
	2020	2019
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Group's annual accounts	60	49
Fees payable to the Company's auditor for the audit of subsidiary companies	89	102
	149	151
Other services pursuant to legislation:		
Tax advice	26	12
Other assurance	3	3
Total non-audit fees	29	15

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

5. Staff costs

	Year ended 31 December	
	2020 £'000	2019 £'000
Wages and salaries	4,889	4,576
Social security costs	407	449
Pension costs	83	81
	5,379	5,106

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

	Year ended 31 December	
	2020 No.	2019 No.
Directors	6	7
Administrative	27	40
Finance	7	5
Warehouse	53	45
Sales	8	3
Other	12	11
	113	111

	2020 £'000	2019 £'000
Directors' remuneration, included in staff costs		
Salaries	838	740
Share based payments	545	674
Benefits	18	16
Pension contributions	3	2
	1,404	1,432

Remuneration in respect of Directors was as follows:

	Salary/fees £'000	Share based payment £'000	Benefits £'000	Pension contribution £'000	2020 £'000	2019 £'000
Executive Directors						
S Bazini	230	240	10	–	480	493
E Macleod	230	240	8	–	478	491
N Rodol	180	63	–	1	244	253
S Craig	58	2	–	1	61	55
Non-executive Directors						
C Garston	60	–	–	–	60	60
K Sadler	40	–	–	–	40	40
P Hagon	40	–	–	–	40	40
	838	545	18	2	1,403	1,432

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

5. Staff costs (continued)

	Number of Share options at January 2020	Number of Share options awarded in the year	Number of Share options lapsed in the year	Number of Share options at December 2020	Exercise Price	Earliest Exercise Date	Exercise Expiry Date
N Rodol	412,258	–	–	412,258	105,262 @237.5p 306,996 @254.5p	29/06/2020 21/09/2021	29/06/2027 21/09/2028
S Bazini	1,534,986	–	–	1,534,986	254.5p	21/09/2021	21/09/2028
E Macleod	1,534,986	–	–	1,534,986	254.5p	21/09/2021	21/09/2028
S Craig	10,000	10,000	–	20,000	10,000 @237.5p 10,000 @49.5p	29/06/2020 20/05/2023	29/06/2027 20/05/2030
Total share options	3,492,230	10,000	–	3,502,230			

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

6. Finance expense

	Year ended 31 December	
	2020	2019
	£'000	£'000
Loan interest	18	26
Lease liability interest	143	225
Other interest	51	119
	212	370

7. Income tax

	Year ended 31 December	
	2020	2019
	£'000	£'000
Current tax expense		
Current tax on profits for the period	429	1,102
Adjustment in respect of previous periods	–	(75)
	429	1,027
Deferred tax expense		
Origination and reversal of temporary differences	(544)	(618)
Total tax expense	(111)	409

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	
	2020	2019
	£'000	£'000
(Loss)/Profit for the period before taxation	(1,114)	1,777
Expected tax charge based on corporation tax rate of 19% (2019: 19%)	(212)	337
Expenses not deductible for tax purposes	29	170
Other adjustments	2	5
Different tax rates applied in overseas jurisdiction	(69)	86
Adjustments in relation to prior year	–	(75)
Adjustment to deferred tax to average rate	139	(114)
Total tax expense	(111)	409

The UK corporation tax at the standard rate for the year is 19.0% (2019: 19.0%).

The Group's effective tax rate for the year is 19.30% (2019: 25.19%).

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

8. 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	Dormant	England and Wales	100%
Treasured Scents Limited*	Holding company	England and Wales	100%
Warpaint Cosmetics Inc.	Dormant	U.S.A.	100%
Retra Holdings Limited	Holding company	England and Wales	100%
Badgequo Limited*	Wholesaler	England and Wales	100%
Retra Own Label Limited*	Dormant	England and Wales	100%
Badgequo Deutschland GmbH*	Supply chain management	Germany	100%
Badgequo Hong Kong Limited*	Supply chain management	Hong Kong	100%
Jinhua Badgequo Cosmetics Trading Co., Ltd	Wholesaler	People's Republic of China	100%
Marvin Leeds Marketing Services, Inc.	Wholesaler	U.S.A.	100%
Warpaint Cosmetics (ROI) Limited	Dormant	Republic of Ireland	100%

* indicates indirect interest

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

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

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

The registered office for Badgequo Deutschland GmbH is Robert-Bosch-Straße 10, Haus 1, 56410 Montabaur, Germany.

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

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

The registered office for Marvin Leeds Marketing Services, Inc. is 34W. 33rd St. – Suite 1015, New York NY 10001.

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

9. Goodwill

	£'000
Cost	
At 1 January 2020	8,086
At 31 December 2020	8,086
Impairment	
At 31 December 2019	812
Impairment during the year	–
At 31 December 2020	812
Net book value	
At 31 December 2020	7,274
At 31 December 2019	7,274

Goodwill represents the excess of consideration over the fair value of the Group's share of the net identifiable assets of the acquired business/CGU at the date of acquisition. The carrying value at 31 December 2020 includes Treasured Scents Limited (Close-out business) of £513,000, Retra Holdings Limited £6,207,000 and Marvin Leeds Marketing Services, Inc. £554,000.

Impairment is calculated by comparing the carrying amounts to the recoverable amount being the higher of value in use derived from discounted cash flow projections or the fair value less costs to sell. A CGU is deemed to be an individual division, and these have been grouped together into similar classes for the purpose of formulating operating segments as reported in note 2. Value in use calculations are based on a discounted cash flow model ("DCF") for the subsidiary, which discounts expected cash flows over a five-year period using a pre-tax discount rate of 10.1% (2019: 15.6%) for Retra Holdings Limited and 8.0% (2019: 14.1%) for Marvin Leeds Marketing Services, Inc. Cash flows beyond the five-year period are extrapolated using a long-term average growth rate of 2.0% (2019: 2.0%). The average growth rate beyond the five-year period is lower than current growth rates and is in line with Management's expectations for the business.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

9. Goodwill (continued)

The fair value less costs to sell was based on a multiple of earnings less estimated costs to sell. Management have performed the annual impairment review as required by IAS 36 and have concluded that no impairment is indicated for Treasured Scents Limited, Retra Holdings Limited or Marvin Leeds Marketing Services, Inc. as the recoverable amount exceeds the carrying 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 – for LMS this is based on forecasts incorporating growth of 15.6% in revenue over the next five years. For Retra, the growth rate over the next year is anticipated to be 9.8% increasing to approximately 10.0% in years 2 to 5. EBITDA percentages for both LMS and Retra are based on historical rates achieved.
- Discount Rate – pre-tax discount rate of 10.1% for Retra Holdings Limited and 8.0% for Marvin Leeds Marketing Services, Inc. reflects the Directors' estimate of an appropriate rate of return, considering the relevant risk factors
- Growth Rate – used to extrapolate beyond the budget period and for terminal values based on a long-term average growth rate of 2.0% for LMS and Retra.

Sensitivity to changes in assumptions

The impairment review of the Group is sensitive to changes in the key assumptions, most notably the pre-tax discount rate, the terminal growth rate, the projected operating cash flows and the multiple applied in the fair value less cost to sell calculation. Reasonable changes to these assumptions are considered to be:

- 1.0% increase in the pre-tax discount rate.
- 1.0% reduction in the terminal growth rate.
- 10.0% reduction in projected operating cash flows.
- 10.0% reduction in valuation multiple.

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

10. Intangible assets

	Brands £'000	Customer lists £'000	Patents £'000	Website £'000	Licences £'000	Total £'000
Cost						
At 1 January 2019	3,802	8,240	217	45	6	12,310
Additions	–	–	35	–	–	35
At 31 December 2019	3,802	8,240	252	45	6	12,345
Additions	–	–	12	–	–	12
At 31 December 2020	3,802	8,240	264	45	6	12,357
Accumulated amortisation						
At 1 January 2019	824	1,908	70	19	3	2,824
Charge for the year	761	1,646	22	9	1	2,439
At 31 December 2019	1,585	3,554	92	28	4	5,263
Charge for the year	765	1,644	24	9	1	2,443
At 31 December 2020	2,350	5,198	116	37	5	7,706
Net book value						
At 31 December 2020	1,452	3,042	148	8	1	4,651
At 31 December 2019	2,217	4,686	160	17	2	7,082
At 1 January 2019	2,978	6,332	147	26	3	9,486

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

11. Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Costs					
At 1 January 2019	897	771	331	141	2,140
Reclassification to right-of-use assets	(760)	–	(77)	–	(837)
Additions	116	119	49	–	284
Disposals	(3)	(42)	(1)	–	(46)
At 31 December 2019	250	848	302	141	1,541
Additions	2	825	42	–	869
Disposals	–	–	–	(21)	(21)
At 31 December 2020	252	1,673	344	120	2,389
Accumulated depreciation					
At 1 January 2019	233	328	162	59	782
Reclassification to right-of-use assets	(208)	–	(36)	–	(244)
Charge for year	35	205	56	30	326
On disposals	(1)	(5)	(1)	–	(7)
At 31 December 2019	59	528	181	89	857
Charge for year	41	257	70	17	385
On disposals	–	–	–	(2)	(2)
At 31 December 2020	100	785	251	104	1,240
Net book value					
At 31 December 2020	152	888	93	16	1,149
At 31 December 2019	191	320	121	52	684
At 1 January 2019	664	443	169	82	1,358

12. Right-of-use assets

	Leasehold property £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Costs				
At 1 January 2019	–	–	–	–
Reclassified from property, plant and equipment	–	760	77	837
Recognised on adoption of IFRS 16	4,960	–	–	4,960
At 31 December 2019	4,960	760	77	5,797
Additions	139	–	–	139
Disposals	(303)	–	–	(303)
At 31 December 2020	4,796	760	77	5,633
Accumulated amortisation				
At 1 January 2019	–	–	–	–
Reclassified from property, plant and equipment	–	208	36	244
Charge for year	729	113	26	868
At 31 December 2019	729	321	62	1,112
Charge for the year	702	150	15	867
Disposals	(145)	–	–	(145)
At 31 December 2020	1,286	471	77	1,834
Net Book Value				
At 31 December 2020	3,510	289	–	3,799
At 31 December 2019	4,231	439	15	4,685

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

13. Inventories

	As at 31 December	
	2020 £'000	2019 £'000
Finished goods	14,934	16,387
Provision	(521)	(193)
	14,413	16,194

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £24.30 million in the year ended 31 December 2020 (2019: £29.11 million).

14. Trade and other receivables

	As at 31 December	
	2020 £'000	2019 £'000
Trade receivables – gross	7,750	10,310
Provision for impairment of trade receivables	(44)	(44)
Trade receivables – net	7,706	10,266
Other receivables	600	1,237
Prepayments and accrued income	881	1,121
Total	9,187	12,624

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

Trade receivables amounting to £Nil (2019: £506,000) are pledged as collateral against an invoice financing facility.

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

	As at 31 December	
	2020 £'000	2019 £'000
Accumulated impairment losses at 1 January	44	114
Additional impairment losses recognised/(released) during the year, net	256	(10)
Amounts written off during the year as uncollectible	(256)	(60)
Accumulated impairment losses at 31 December	44	44

The impairment losses recognised during the year of £256,000 (2019: credit of £10,000 relating to the recovery of amounts previously written off as uncollectable).

Contract Liabilities

	As at 31 December	
	2020 £'000	2019 £'000
At 1 January	321	305
Amounts included in contract liabilities that was recognised as revenue during the period	611	660
Amounts settled during the period	(640)	(644)
At 31 December	292	321

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

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

15. Cash and cash equivalents

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

	As at 31 December	
	2020	2019
	£'000	£'000
Cash at bank and in hand	4,875	2,731
	4,875	2,731

16. Trade and other payables

	As at 31 December	
	2020	2019
	£'000	£'000
Current		
Trade payables	1,439	957
Social security and other taxes	523	546
Other payables	32	58
Accruals and deferred income	1,127	2,372
Total	3,121	3,933

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

17. Loans and borrowings

	As at 31 December	
	2020	2019
	£'000	£'000
Bank loans		
Repayable within 1 year	48	1,281
Repayable within 2 – 5 years	–	48
	48	1,329
Lease liabilities		
Repayable within 1 year	866	925
Repayable within 2 – 5 years	2,375	2,584
Repayable in more than 5 years	670	1,231
	3,911	4,740
Total		
Repayable within 1 year	914	2,206
Repayable within 2 – 5 years	2,375	2,632
Repayable in more than 5 years	670	1,231
	3,959	6,069

Lease liabilities

	As at 31 December			Total £'000
	Leasehold property £'000	Plant and machinery £'000	Computer equipment £'000	
At 1 January 2019	4,960	550	41	5,551
Interest expense	168	53	4	225
Lease payments	(802)	(205)	(29)	(1,036)
As at 31 December 2019	4,326	398	16	4,740
Lease additions	139	–	–	139
Lease disposals	(158)	–	–	(158)
Interest expense	97	44	2	143
Lease payments	(745)	(190)	(18)	(953)
As at 31 December 2020	3,659	252	–	3,911

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

17. Loans and borrowings (continued)

Nature of lease liabilities

The group leases a number of properties in the United Kingdom and United States of America as well as certain items of plant and equipment.

An additional £2,617 has been expensed to the statement of comprehensive income in respect of low value operating leases. Interest payments of £4,501 have also been expensed in respect of leases that expired during the period.

The interest rates expected are as follows:

	As at 31 December	
	2020	2019
	%	%
Finance loans	7.0	7.0
Bank loans	8.75	8.75
Invoice financing	3.25	3.25

Secured loans

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

Bank borrowings include stock and invoice financing facilities amounting to £Nil (2019: £1,086,000 invoice financing). The carrying value of assets pledged as collateral approximates to £Nil (2019: £1,086,000).

18. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rate of 19% - 25%.

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

	Deferred tax liability		Deferred tax asset	
	Year ended 31 December		Year ended 31 December	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Opening balance	(1,324)	(1,796)	374	241
Foreign exchange adjustment	3	–	(16)	(13)
Recognised in profit and loss:				
Tax expense	321	472	223	146
Closing balance	(1,000)	(1,324)	581	374

The deferred tax liability has arisen due to the timing difference on accelerated capital allowances amounting to £42,000 (2019: £37,000) and on the intangible assets acquired in a business combination amounting to £1,057,000 (2019: £1,057,000).

Deferred tax asset has arisen from loss carry forward for LMS amounting to £2,323,000 (2019: £1,497,000) and recognised at a rate of 25%.

19. Dividends

Year to December 2020	Paid	Amount per share	Total
			£'000
Final dividend – 2019	–	–	–
Interim dividend – 2020	20 Nov 20	2.8p	2,149
			2,149
Year to December 2019	Paid	Amount per share	Total
			£'000
Final dividend – 2018	11 Jul 19	2.9p	2,226
Interim dividend – 2019	12 Nov 19	1.5p	1,151
			3,377

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

20. Called up share capital

	No of shares	
	'000	£'000
Allotted and issued		
Ordinary shares of £0.25 each:		
At 1 January 2019 and 2020	76,749	19,187
At 31 December 2019 and 2020	76,749	19,187

All ordinary shares carry equal rights.

21. Reserves

Share premium

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

Retained earnings

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

Merger reserve

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

The 2016 movement on the merger reserve 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.

The 2017 movement in merger reserve represents the difference between the issue price and the nominal value of shares issued as consideration for the acquisition of subsidiary undertaking.

Share option reserves

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

22. Share based payments

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

	Weighted average		Weighted average	
	exercise price (pence)	Number of options	exercise price (pence)	Number of options
	2020	2020	2019	2019
Outstanding at the beginning of the year	253.45	4,088,302	253.52	4,070,617
Granted during the year	49.50	454,686	–	–
Expired during the year	83.36	(14,026)	237.50	(3,368)
Period adjustments	–	–	237.50	21,053
Outstanding at the end of the year	233.50	4,528,962	253.45	4,088,302

The weighted average remaining contractual life of the options is 3.0 years (2019: 4.0 years).

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

	Exercise price	Exercise period	
	Pence	(years)	Number of options
29 June 2017	237.50	3	255,051
24 September 2018	254.50	5	3,837,462
20 May 2020	49.50	3	454,686

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

22. Share based payments (continued)

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

	20 May 2020	24 Sept 18	29 June 17
Expected volatility	76%	78%	64%
Expected life (years)	3	2-4	3
Risk-free interest rate	0.01%	1.61%	0.38%
Expected dividend yield	2.08%	1.53%	2%
Fair value per option (£)	0.213	0.422	0.963

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

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

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

- 50% of the award is subject to an adjusted EPS growth performance condition. One third of this portion of the award will be tested and vest after three, four and five years. Vesting is based on adjusted EPS in the years ending Dec 2020, 2021 and 2022. Threshold vesting of 20% of the award is achieved at 12.5% compound annual EPS growth and full vesting at 22.5% compound annual EPS growth, measured from 31 December 2017.
- 50% of the award is subject to an absolute TSR performance condition tested following the announcement of results for the years ending 31 December 2020, 2021 and 2022. Threshold vesting of 20% of the award is achieved at 8% compound annual TSR and straight line vesting up to 100% vesting at 18% compound annual TSR, measured from 31 December 2017.

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

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

The charge in the statement of comprehensive income for the share-based payments during the year was £656,000 (2019: £816,000).

23. Related party transactions

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

Key management personnel are considered to be the directors. Compensation of the directors is disclosed in note 5 with the exception of dividends and drawings which are disclosed in note 19.

During 2020, Warpaint Cosmetics (2014) Limited paid rent in the sum of £120,000 (2019: £120,000) to Direct Supplies (2014) Group Limited, of which S Bazini is a director. At the year end the amount due to Direct Supplies (2014) Group Limited was £Nil (2019: £Nil).

During 2020, Warpaint Cosmetics (2014) Limited paid rent in the sum of £120,000 (2019: £120,000) to Trading Scents Group Limited, of which E Macleod is a director. At the year end the amount due from Trading Scents Group Limited was £1,000 (2019: £Nil).

During 2020, Retra Holdings Limited paid rent in the sum of £340,000 (2019: £340,000) to Warpaint Cosmetics Limited, of which E Macleod and S Bazini are directors.

During 2020, the Group renewed its contract with Ward & Hagon Management Consulting LLP for a further 12 months ("Ward & Hagon"). Ward & Hagon, a provider of practical business solutions, were initially appointed in February 2020 to assist the Group in implementing its strategic growth plan. The Contract has a total annual value of £210,000, and includes the services of Paul Hagon, an executive director of the Group and Martyn Ward, amongst other members of the Ward & Hagon team. During 2020, the Group paid £200,000 in consultancy fees and £7,299 in expenses. At the year end the amount due from Ward & Hagon was £Nil. In addition, Ward & Hagon will be paid a commission of 3% on all sales generated from their introductions in the 12-month period from the point of first sale, and 4% on all sales generated from their introductions in the 12-month period thereafter. Paul Hagon, an executive director of Warpaint London Plc, is a member of Ward & Hagon and therefore the contract renewal constitutes a related party transaction under the AIM Rules for Companies.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

24. 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 £32,389,000 as at 31 December 2020 (2019: £35,541,000) as shown in the statement of changes in equity.

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

	Year ended 31 December	
	2020	2019
	£'000	£'000
Financial assets		
Financial assets at amortised cost:		
Trade and other receivables	8,306	11,503
Financial assets measured at fair value through the profit and loss:		
Cash and cash equivalents	4,875	2,731
Derivative financial instruments	40	39
	13,221	14,279
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	(2,598)	(3,387)
Loan and borrowings	(3,959)	(6,069)
Financial liabilities measured at fair value through the profit and loss:		
Derivative financial instruments	(400)	-
	(6,957)	(9,456)
Net	6,264	4,823

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

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

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

Cash and cash equivalents

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

General risk management principles

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

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

Market risk

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

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

24. Financial instruments (continued)

Interest rate risk

The Group's interest rate exposure arises mainly from its interest-bearing borrowings. Contractual agreements entered into a floating rate expose the entity to cash flow risk. Interest rate risk also arises on the Group's cash and cash equivalents. The Group does not enter into derivative transactions in order to hedge against its exposure to interest rate fluctuations. An increase in the rate of interest by 100 basis points would decrease profits by £7,000 (2019: £21,000) with an increase in profits by the same amount for a decrease in the rate of interest by 100 basis points.

Credit risk

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

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

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

The maximum exposure to credit risk in respect of the above is the carrying value of financial assets recorded in the financial statements. At 31 December 2020, the Group has trade receivables of £7,706,000 (2019: £10,266,000).

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

	As at 31 December	
	2020 £'000	2019 £'000
Current	4,682	7,416
1 – 30 days	1,801	1,981
31 – 60 days	944	456
61 – 90 days	220	155
91 + days	103	302
Provision for impairment of trade receivables	(44)	(44)
Total trade receivables - net	7,706	10,266

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 31 December 2019 and, consequently, no further provisions have been made for bad and doubtful debts.

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

	As at 31 December 2020		As at 31 December 2019			
	£'000	%	£'000	£'000	%	£'000
Current	4,682	0.135	6	7,416	0.096	7
1 – 30 days	1,801	0.405	7	1,981	0.288	6
31 – 60 days	944	1.215	11	456	0.864	4
61 – 90 days	220	3.645	8	155	2.592	4
91 + days	103	10.935	12	302	7.776	23
			44			44

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

24. Financial instruments (continued)

Credit quality of financial assets

	As at 31 December	
	2020	2019
	£'000	£'000
Trade receivables, gross (note 14):		
Receivable from large companies	4,270	6,561
Receivable from small or medium-sized companies	412	855
Total neither past due nor impaired	4,682	7,416
	As at 31 December	
	2020	2019
	£'000	£'000
Past due but not impaired:		
Less than 30 days overdue	1,801	1,981
30 – 90 days overdue	1,223	869
Total past due but not impaired	3,024	2,850
Lifetime expected loss provision:		
Less than 30 days overdue	–	13
30 – 90 days overdue	44	31
Total lifetime expected loss provision (gross)	44	44
Less: Impairment provision	(44)	(44)
Total trade receivables, net of provision for impairment	7,706	10,266

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

	As at 31 December	
	2020	2019
	£'000	£'000
AAA rated	10	7
AA rated	303	786
A rated	1,115	–
BAA rated	3,447	1,938
Total cash and cash equivalents	4,875	2,731

For the purpose of the groups monitoring of credit quality, large companies or groups are those that, based on information available to management at the point of initially contracting with the entity, have annual turnover in excess of £100,000 (2019: £100,000).

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.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

24. Financial instruments (continued)

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

	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Year ended 31 December 2020	£'000	£'000	£'000	£'000	£'000
Trade payables	1,439	–	–	–	1,439
Other payables	32	–	–	–	32
Accruals	1,127	–	–	–	1,127
Loans and borrowings	491	444	2,526	686	4,147
	3,089	444	2,526	686	6,745

	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Year ended 31 December 2019	£'000	£'000	£'000	£'000	£'000
Trade payables	957	–	–	–	957
Other payables	58	–	–	–	58
Accruals	2,372	–	–	–	2,372
Loans and borrowings	1,667	477	2,755	1,271	6,170
	5,054	477	2,755	1,271	9,557

The borrowings of the group are secured by a debenture including a fixed charge over all present freehold and leasehold property, a first fixed charge over book and other debts and a first floating charge over all assets.

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. At December 2020, there were total sums of £375,000 (2019: £255,000) held in foreign currency.

The Group is also exposed to currency risk as the assets of its subsidiary are denominated in US Dollars. At 31 December 2020, the net foreign liability was £0.4m (2019: £0.3m). Differences that arise from the translation of these assets from US dollar to sterling are recognised in other comprehensive income in the year and the cumulative effect as a separate component in equity. The Group does not hedge this translation exposure to its equity.

A 5% weakening of sterling would result in a £4,000 increase in reported profits and equity, while a 5% strengthening of sterling would result in £3,000 decrease in profits and equity.

	2020	2019
	£'000	£'000
Derivatives carried at fair value:		
Exchange (loss)/gain on forward foreign currency contracts	(360)	39

The Group, along with other businesses, will face the risk of inflationary pressures through commodities cost increases, further driven by currency weakness post Brexit.

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 2020, the group has 42 (2019: 33) forward foreign exchange contracts outstanding. Derivative financial instruments are carried at fair value.

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

24. Financial instruments (continued)

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

	2020	2019	2020	2019
a) Contracted exchange rate	£/\$	£/\$	£/€	£/€
3 months or less	1.3353	1.2953	1.1082	1.1394
3 to 6 months	1.3222	1.3280	1.1099	1.1405
6 to 12 months	1.3265	–	1.1024	–
b) Contract value	£/\$	£/\$	£/€	£/€
3 months or less	2,620	4,723	947	904
3 to 6 months	7,008	6,408	2,479	2,899
6 to 12 months	3,766	–	1,133	–
	13,394	11,131	4,559	3,803
c) Foreign currency	\$'000	\$'000	€'000	€'000
3 months or less	3,500	6,175	1,050	1,030
3 to 6 months	9,254	8,500	2,750	3,335
6 to 12 months	5,000	–	1,250	–
	17,754	14,675	5,050	4,365

Fair value of financial assets and liabilities

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

25. 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 £91,019 (2019: £80,210).

26. Controlling party

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

27. Earnings/(loss) per share

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

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

	2020	2019
Basic earnings/(loss) per share (pence)	(1.31)	1.78
Diluted earnings per/(loss) share (pence)	(1.31)	1.78

Notes to the Consolidated Financial Statements (continued)

as at ended 31 December 2020

27. Earnings/(loss) per share (continued)

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

	2020	2019
Earnings	£'000	£'000
Earnings for the purpose of basic earnings per share, being the net (loss)/profit	(1,098)	1,368

Number of shares	2020	2019
Weighted number of ordinary shares for the purpose of basic earnings per share	76,749,125	76,749,125
Potentially dilutive shares awarded	67,040	–
Weighted number of ordinary shares for the purpose of diluted earnings per share	76,816,165	76,749,125

The 4,088,302 share options (2019: 4,088,302) in issue throughout the year have not been included in the computation of diluted earnings per share, as per IAS 33, the share options are not dilutive as they are not likely to be exercised given that the exercise price is higher than the average market price.

The additional 454,686 share options granted 20 May 2020 have been included in the computation of diluted earnings per share as the exercise price of the options is below the average annual market price of Ordinary shares.

28. Notes supporting statement of cash flows

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

	Non-current loans and borrowings £'000	Current loans and borrowings £'000	Total £'000
At 1 January 2019	553	2,169	2,722
Non-cash flows:			
Amount recognised in respect of lease liabilities on adoption of IFRS 16.	4,271	688	4,959
Cash flows	–	(1,612)	(1,612)
Reclassification from Non-current loans and borrowings to current loans and borrowings	(960)	960	–
At 31 December 2019	3,864	2,205	6,069
Non-cash flows:			
Cash flows	–	(2,091)	(2,091)
Reclassification from Non-current loans and borrowings to current loans and borrowings	(819)	819	–
At 31 December 2020	3,045	914	3,959

Company Statement of Financial Position

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	3	35,833	35,833
		35,833	35,833
Current assets			
Trade and other receivables	4	14,732	11,298
Cash and cash equivalents		313	74
Total current assets		15,045	11,372
Current liabilities			
Trade and other payables	5	(184)	(110)
Corporation tax liability		–	–
Total current liabilities		(184)	(110)
Net current assets		14,861	11,262
Total assets less current liabilities		50,694	47,095
Capital and reserves			
Share capital	6	19,187	19,187
Share premium	7	19,359	19,359
Merger reserve	8	1,895	1,895
Share option reserve		1,633	977
Retained earnings		8,620	5,677
Shareholders' funds		50,694	47,095

As permitted by section 408 of the Companies Act 2006, the profit and loss account is not presented. The profit for the year amounted to £5,092,000 (2019: £1,231,000).

The financial statements on pages 113 to 119 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Neil Rodol
Chief Financial Officer

27 April 2021

The notes on pages 85 to 87 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2020

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Share Option Reserve £'000	Retained Earnings £'000	Total Equity £'000
As at 31 December 2018	19,187	19,359	1,895	169	10,257	50,867
Lapsed share option	–	–	–	(28)	28	–
Share based payment charge	–	–	–	836	–	836
Loss for the year	–	–	–	–	(1,231)	(1,231)
Dividends paid	–	–	–	–	(3,377)	(3,377)
As at 31 December 2019	19,187	19,359	1,895	977	5,677	47,095
Share based payment charge	–	–	–	656	–	656
Profit for the year	–	–	–	–	5,092	5,092
Dividends paid	–	–	–	–	(2,149)	(2,149)
As at 31 December 2020	19,187	19,359	1,895	1,633	8,620	50,694

Notes to the Company Financial Statements

for the year ended 31 December 2020

1. Significant accounting policies

Basis of preparation

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

The Company's financial statements are presented in GBP.

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

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

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

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Share-based payments

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

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

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

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

Going Concern

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

Critical accounting estimates and judgements

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

Judgements and accounting estimates and assumptions

Impairment of investments

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

Recoverability of intercompany balances

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

Dividends

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

2. Staff costs

	Year ended 31 December	
	2020	2019
	£'000	£'000
Wages and salaries	288	190
Share based payments	545	674
Social security costs	18	22
Pension costs	3	1
	854	887

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2020

2. Staff costs (continued)

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

	Year ended 31 December	
	2020	2019
	No.	No.
Directors	6	6
	6	6

	2020	2019
	£'000	£'000
Directors' remuneration, included in staff costs		
Salaries	288	190
Share based payments	544	674
	832	864

The directors are the only key management personnel.

3. Investments

	At 31 December 2020
	£'000
Cost	
At January 2020	35,833
Additions	–
At December 2020	35,833
Net book value	
At 31 December 2020	35,833
At 31 December 2019	35,833

4. Debtors

	2020	2019
	£'000	£'000
Due from group undertakings	14,634	11,237
Prepayments and accrued income	98	61
	14,732	11,298

Amounts due from related undertakings are unsecured, non-interest bearing and payable on demand.

5. Creditors due within one year

	2020	2019
	£'000	£'000
Trade payables	19	33
Other taxation and social security	25	26
Accruals and deferred income	140	51
	184	110

6. Called up share capital

	No of shares '000	£'000
Allotted and issued		
Ordinary shares of £0.25 each		
At 1 January 2019 and 2020	79,749	19,187
At 31 December 2019 and 2020	76,749	19,187

All ordinary shares carry equal rights.

7. Share premium

	2020	2019
	£'000	£'000
Share premium	19,359	19,359

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

8. Other reserves

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

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

9. Related party transactions

The Company has taken advantage of the disclosure of related party transactions with wholly owned fellow group companies. Related party transactions with key management personnel (including directors) are shown in note 23 of the Consolidated Financial Statements.

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2020

10. Share based payments

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

	Weighted average exercise price (pence)	Number of options	Weighted average exercise price (pence)	Number of options
	2020	2020	2019	2019
Outstanding at the beginning of the year	253.45	4,088,302	253.52	4,070,617
Granted during the year	49.50	454,686	–	–
Expired during the year	–	–	237.50	(3,368)
Period adjustments	–	–	237.50	21,053
Outstanding at the end of the year	233.03	4,542,988	253.45	4,088,302

The weighted average remaining contractual life of the options is 3.0 years (2019: 4.0 years).

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

	Exercise price Pence	Exercise period (years)	Number of options
29 June 2017	237.50	3	255,051
24 September 2018	254.50	5	3,837,462
20 May 2020	49.50	7	454,686

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

	20 May 20	24 Sept 18	29 June 17
Expected volatility	76%	78%	64%
Expected life (years)	3	2-4	3
Risk-free interest rate	0.01%	1.61%	0.38%
Expected dividend yield	2.08%	1.53%	2%
Fair value per option (£)	0.213	0.422	0.963

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

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

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

- 50% of the award is subject to an adjusted EPS growth performance condition. One third of this portion of the award will be tested and vest after three, four and five years. Vesting is based on adjusted EPS in the years ending Dec 2020, 2021 and 2022. Threshold vesting of 20% of the award is achieved at 12.5% compound annual EPS growth and full vesting at 22.5% compound annual EPS growth, measured from 31 December 2017.
- 50% of the award is subject to an absolute TSR performance condition tested following the announcement of results for the years ending 31 December 2020, 2021 and 2022. Threshold vesting of 20% of the award is achieved at 8% compound annual TSR and straight line vesting up to 100% vesting at 18% compound annual TSR, measured from 31 December 2017.

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

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

The charge in the statement of comprehensive income for the share-based payments during the year was £544,000 (2019: £674,000).

Officers and Professional Advisers

Directors	C Garston S Bazini E Macleod N Rodol S Craig P Hagon K Sadler	Chairman Chief Executive Officer Managing Director Chief Financial Officer General Counsel & Company Secretary Executive Director Non-Executive Director
Registered Office	Units B&C Orbital Forty Six The Ridgeway Trading Estate Iver Buckinghamshire SL0 9HW	
Company Number	10261717	
Nominated Adviser & Joint Broker	Nplus1 Singer Capital Markets Limited 1 Bartholomew Lane London EC2N 2AX	
Joint Broker	Shore Capital Cassini House 57 St James's Street London SW1A 1LD	
Auditors	BDO LLP 55 Baker Street London W1U 7EU	
Solicitors	DAC Beachcroft LLP 25 Walbrook London EC4N 8AF	
Registrars	Neville Registrars Limited Neville House Steel Park Road Halesowen West Midlands, B62 8HD	
Financial PR	IFC Advisory Limited Birchin Court, 20 Birchin Lane London, EC3V 9DU	





WARPAINT LONDON PLC
 Units B&C
 Orbital Forty Six
 The Ridgeway Trading Estate
 Iver
 Buckinghamshire
 SL0 9HW